Supreme Court, U.S.
FILED

No. 98-__ 98 851 NOV 23 1998

OFFICE OF THE CLERK

In The

Supreme Court of the United States

October Term, 1998

REUTERS TELEVISION INTERNATIONAL, LIMITED;
VISNEWS INTERNATIONAL (USA), LIMITED;
REUTERS AMERICA HOLDINGS, INC.;
REUTERS AMERICA, INC.,

Petitioners,

v.

LOS ANGELES NEWS SERVICE,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

PETITION FOR A WRIT OF CERTIORARI

LOUIS P. PETRICH
(Counsel of Record)
ROBERT S. GUTIERREZ
LEOPOLD, PETRICH & SMITH
A Professional Corporation
2049 Century Park East,
Suite 3110
Los Angeles, California 90067-3274
(310) 277-3333

and

PATRICIA DUNCAN
3000 West Alameda,
Suite 124
Burbank, California 91523
(818) 840-3512

Attorneys for Petitioners

134 pp

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

QUESTIONS PRESENTED

This Court held in *EEOC v. Arabian Amer. Oil Co.*, 499 U.S. 244 (1991) (*"Aramco"*) that whether a United States (U.S.) statute should be applied extraterritorially depends upon congressional intent, and that a presumption exists against extraterritorial application which cannot be overcome by merely plausible arguments or ambiguous evidence. An unbroken line of authorities over 80 years, including decisions of this Court, construing U.S. copyright statutes since the Act of 1856, has reaffirmed the territorial limits of U.S. Copyright laws. This Petition presents the following questions:

1. May courts create an "exception" to the presumed and established territorial limits of U.S. copyright laws so as to permit damages to be awarded and calculated by reference to "exploitation abroad" or "overseas infringing acts" without any analysis of congressional intent, solely on the basis that a prior completed act of infringement within the U.S. (a "predicate act") enabled such subsequent infringing activity abroad?

2. May a defendant be held liable for contributory infringement under U.S. copyright law for engaging in conduct in the U.S. which enables allegedly infringing conduct to occur entirely outside the U.S. that does not itself violate U.S. copyright law?

PARTIES INVOLVED AND RULE 29.6 STATEMENT

Petitioners are Reuters Television International, Limited; Visnews International (USA), Limited; Reuters America Holdings, Inc., and Reuters America, Inc. Pursuant to Rule 29.6 of the Rules of this Court, petitioners state:

Reuters Television International, Limited and Visnews International (USA), Limited are now Reuters Television America, Inc., whose parent company is Reuters America Holdings, Inc., and which has no nonwholly owned subsidiaries. Reuters America Holdings, Inc. has no nonwholly owned subsidiaries and its parent company is Fleetstreet Holdings, Inc. Reuters America, Inc. has no nonwholly owned subsidiaries, and its parent company is Reuters America Holdings, Inc.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
PARTIES INVOLVED AND RULE 29.6 STATEMENT	ii
PETITION FOR WRIT OF CERTIORARI	1
OPINIONS BELOW	1
JURISDICTION	1
CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED	2
STATEMENT OF THE CASE	2
I. LEGAL AND FACTUAL BACKGROUND	2
II. PROCEEDINGS IN THE DISTRICT COURT	3
III. PROCEEDINGS IN THE COURT OF APPEALS	5
REASONS FOR GRANTING THE WRIT	7
I. CERTIORARI SHOULD BE GRANTED TO RESOLVE IMPORTANT AND RECURRING QUESTIONS REGARDING THE JUDICIALLY-CREATED "PREDICATE ACT" EXCEPTION WHICH WOULD APPLY U.S. COPYRIGHT LAW TO ALLEGEDLY INFRINGING FOREIGN ACTIVITIES IN DIRECT CONTRADICTION TO THE PRESUMED AND ESTABLISHED RULE THAT CONGRESS INTENDED THAT THE U.S. COPYRIGHT LAWS SHOULD HAVE NO GENERAL EXTRATERRITORIAL APPLICATION	7

TABLE OF CONTENTS – Continued

Page

A. Whether A Federal Statute Has Extraterritorial Effect Is A Matter Of Congressional Intent 7

1. This Court Applies A Presumption That Congress Has Not Intended To Apply Its Statutes Extraterritorially 7

2. At Least One Purpose Of The Presumption Is To Protect Against Unintended Clashes Between U.S. Laws And Those Of Other Nations 8

3. Merely Plausible Arguments Or Ambiguous Evidence of An Intent To Apply A Statute Extraterritorially Will Not Overcome The Contrary Presumption 8

4. Courts Have No Authority To Create "Exceptions" To The Presumed Congressional Intent Against Extraterritorial Applications Of U.S. Laws 8

B. The "Predicate Act" Exception That The Ninth And The Second Circuits Would Employ To Justify Application Of U.S. Copyright Laws To Calculate Damages For Infringements Alleged To Have Occurred By "Exploitation Abroad" Does Not Overcome The Territorial Presumption Mandated By *Aramco* 9

1. The Purposes Of The Presumption Against Extraterritorial Application Of U.S. Laws Abroad Are Especially Applicable To Copyright Laws 12

TABLE OF CONTENTS – Continued

Page

2. No Legislative History Or Statutory Interpretation Supports An Extraterritorial Application Of U.S. Copyright Laws To Allegedly Infringing "Exploitation Abroad" 15

3. The Ninth Circuit's Decision Below Directly Conflicts With Relevant Decisions Of This Court, And Of Several Circuit Courts 17

4. The Court Of Appeals Has No Evidence Of Congressional Intent To Support Its Judicially-Created Exception To The Territoriality Principle 19

5. The Apparent Felt Need To Create Exceptions To The Territoriality Principle Misapprehends The Availability Of More Appropriate Remedies 24

II. CERTIORARI SHOULD BE GRANTED TO RESOLVE AN IMPORTANT AND RECURRING QUESTION, AND CONFLICTS WITH RELEVANT DECISIONS OF THIS COURT AND WITH OTHER CIRCUIT COURTS, REGARDING THE EXISTENCE OF CONTRIBUTORY INFRINGEMENT LIABILITY UNDER U.S. LAW FOR AN ACT OF DIRECT INFRINGEMENT THAT DOES NOT VIOLATE U.S. COPYRIGHT LAW 26

A. The Principle This Court Established In *Sony* Means There Can Be No Contributory Infringement Liability Under U.S. Law If The Only Relevant Direct Infringement Occurred Beyond The Territorial Reach Of Section 106 27

TABLE OF CONTENTS – Continued

Page

B. The Opinion Below Conflicts With The *Sony* Rule, And With Decisions Of Its Own And Other Circuits 29

CONCLUSION 30

APPENDIX

Opinion of Ninth Circuit in *Los Angeles News Service v. Reuters* .....App. 1

Opinions and Orders of District Court in *Los Angeles News Service v. Reuters* .....App. 22

Judgment of District Court in *Los Angeles News Service v. Reuters* .....App. 73

Declaration of Jeremy Smith .....App. 76

Letter by LANS counsel dated August 6, 1998 transmitting Writ of Summons of British High Court to defendant Reuters in *Los Angeles News Service v. Reuters Television International Limited,* and Writ issued on April 28, 1998 .....App. 81

Constitutional Provisions, Statutes and Rules Involved .....App. 86

TABLE OF AUTHORITIES

Page

CASES:

Allarcom Pay Television, Ltd. v. General Instrument Corp., 69 F.3d 381 (9th Cir. 1995) 11

American Code Co. v. Bensinger, 282 Fed. 829 (2d Cir. 1922) 10

Argentine Republic v. Amerada Hess Shipping Corp., 488 U.S. 428 (1989) 16

Benz v. Compania Naviera Hidalgo, S.A., 353 U.S. 138 (1957) 7, 8

Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co., 145 F.3d 481 (2d Cir. 1998) 24, 25

Cable/Home Communications Corp. v. Network Productions, Inc., 902 F.2d 829 (11th Cir. 1990) 27, 29

Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657 (2d Cir. 1955) 10

Columbia Pictures Industries, Inc. v. Redd Home, Inc., 749 F.2d 154 (3d Cir. 1984) 27

Computer Assoc. Intl, Inc. v. Altai, Inc., 126 F.3d 365 (2d Cir. 1997), *cert. denied*, 140 L.Ed.2d 814, 118 S.Ct. 1676 (1998) 25

Creative Technology, Ltd. v. Aztech Sys. PTE Ltd., 61 F.3d 696 (9th Cir. 1995) 25

EEOC v. Arabian Amer. Oil Co., 499 U.S. 244 (1991) ..... *passim*

Environmental Defense Fund, Inc. v. Massey, 986 F.2d 528 (D.C. Cir. 1993) 14

Famous Music Corp. v. Seeco Records, Inc., 201 F. Supp. 560 (S.D.N.Y. 1961) 22, 23

TABLE OF AUTHORITIES – Continued

Page

Ferris v. Frohman, 223 U.S. 424 (1912) 10

Filmvideo Releasing Corp. v. Hastings, 668 F.2d 91 (2d Cir. 1981) 10, 20

Foley Bros., Inc. v. Filardo, 336 U.S. 281 (1949) 7, 8

Gershwin Publishing Corp. v. Columbia Artists Management, Inc., 443 F.2d 1159 (2d Cir. 1971).....27, 29

Gulf Oil Corp. v. Gilbert, 330 U.S. 501 (1947)..... 25

Heim v. Universal Pictures Co., 154 F.2d 480 (2d Cir. 1946)..... 10

Holmes v. Securities Investor Protection Corp., 503 U.S. 258 (1992) 22

Itar-Tass Russian News Agency v. Russian Kurier, Inc., 153 F.3d 82 (2d Cir. 1998)..... 14

London Film Prods. Ltd. v. Intercontinental Communications, Inc., 580 F. Supp. 47 (S.D.N.Y. 1984)..... 24

Los Angeles News Serv. v. Reuters Television Int'l, Ltd., 149 F.3d 987 (9th Cir. 1998)..... 1

Los Angeles News Serv. v. Reuters Television Int'l, Ltd., 942 F. Supp. 1265 (C.D. Cal. 1996) 1

Los Angeles News Serv. v. Reuters Television Int'l, Ltd., 942 F. Supp. 1275 (C.D. Cal. 1996) 1

Lujan v. Defenders of Wildlife, 504 U.S. 555 (1992) 14

Mills Music, Inc. v. Snyder, 469 U.S. 153 (1985)... 2, 15, 16

Murray v. British Broadcasting Corp., 81 F.3d 287 (2d Cir. 1996) 25

TABLE OF AUTHORITIES – Continued

Page

Nintendo of Am., Inc. v. Aeropower Co., 34 F.3d 246 (4th Cir. 1994), *cert. denied*, 132 L.Ed.2d 263 (1995) 11, 15

Peter Starr Prod. Co. v. Twin Continental Films, Inc., 783 F.2d 1440 (9th Cir. 1986) 22

Quality King Distrib. v. L'Anza Research Int'l, Inc., 523 U.S. ___, 140 L.Ed.2d 254, 118 S.Ct. 1125 (1998) 16

Respect Inc. v. Fremgen, 897 F. Supp. 361 (N.D. Ill. 1995) 26

Robert Stigwood Group Ltd. v. O'Reilly, 530 F.2d 1096 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976) 10, 22, 23, 27, 29

Sale v. Haitian Centers Council, Inc., 509 U.S. 155 (1993) 9

Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390 (1940) 4, 19, 20, 22

Smith v. United States, 507 U.S. 197 (1993) 7, 8, 12, 14, 17, 21

Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417 (1984) 26, 27, 28, 29

Subafilms, Ltd. v. MGM-Pathe Communications Co., 24 F.3d 1088 (9th Cir.) (*en banc*), *cert. denied*, 513 U.S. 1001 (1994) ..... *passim*

Twin Books Corp. v. Walt Disney Co., 83 F.3d 1162 (9th Cir. 1996) 10

United Dictionary Co. v. Merriam Co., 208 U.S. 260 (1908) 10

Update Art, Inc. v. Modiin Publishing, Ltd., 843 F.2d 67 (2d Cir. 1988) 10, 11, 19, 21, 22, 24

Walker v. Forbes, Inc., 28 F.3d 409 (4th Cir. 1994) 4

Yount v. Acuff Rose-Opryland, 103 F.3d 830 (9th Cir. 1996) 11

TABLE OF AUTHORITIES – Continued

Page

RULES AND STATUTES:

The Copyright Act of 1909 (repealed)
17 U.S.C. § 1(e) 2, 23

17 U.S.C. § 101(e) 2, 23

The Copyright Act of 1976 (as amended)
17 U.S.C. § 106 ..... 2, 18, 26, 27, 28, 29

17 U.S.C. § 106(1) 26

17 U.S.C. § 203 ..... 2, 16

17 U.S.C. § 304 2

17 U.S.C. § 504 ..... 2, 4, 17

17 U.S.C. § 505 2

17 U.S.C. § 602 ..... 2, 16

18 U.S.C. §§ 1961-1968 22

28 U.S.C. § 1254(1) 1

28 U.S.C. § 1291 5

TREATISES:

L. Amdur, *Copyright Law & Practice* (1936) § 15 11

H. Ball, *Law of Copyright & Literary Property* (1944)
§ 97 11

P. Geller & M. Nimmer, *International Copyright Law and Practice* (1998) 19

P. Goldstein, *Copyright* (1998)
Volume 2:
§ 16.0 11

§ 16.2 ..... 11, 24

TABLE OF AUTHORITIES – Continued

Page

R. Gorman and J. Ginsburg, *Copyright For The Nineties*, 1997 Supplement 16

M. & D. Nimmer, *Nimmer On Copyright* (1998)
Volume 3:
§ 9.06[C] and [D] 15

§ 12.04[A][2][b] 26

Volume 4:
§ 17.01[B][1] 13

§ 17.02 11

§ 17.03 24

§ 17.05 14

§ 17.12 15

Volume 9:
App. 2A 12

App. 2G 13

App. 22 13

Volume 10:
App. 42 12

W. Patry, *Copyright Law & Practice*, Vol. 2 (1994)
Volume 2:
1997 Supplement 11, 12, 13

MISCELLANEOUS:

Berne Convention for the Protection of Literary and Artistic Works 12

General Agreement on Tariffs and Trade (GATT) 12

TABLE OF AUTHORITIES – Continued

Page

H.R. Report No. 94-1476, 94th Cong., 2d Sess. (1976) 15

H.R. Report No. 609, 100th Cong., 2d Sess. (1988) 13

S.Rep. 352, 100th Cong., 2d Sess. (1988) 14

Universal Copyright Convention 12

PETITION FOR WRIT OF CERTIORARI

Reuters Television International, Limited; Visnews International (USA), Limited; Reuters America Holdings, Inc.; and Reuters America, Inc. (collectively "Reuters"), respectfully pray that a writ of certiorari issue to review the judgment and opinion ("Opinion") of the United States Court of Appeals for the Ninth Circuit entered in this proceeding on August 25, 1998.

OPINIONS BELOW

The August 25, 1998 opinion of the United States Court of Appeals for the Ninth Circuit that gives rise to this petition is reported at 149 F.3d 987, and is reprinted in the attached Appendix ("App."). App. at 1 to 21. The relevant opinions of the district court are reported at 942 F. Supp. 1265 and 1275. App. at 22 to 47 & 48 to 67. This district court's unreported order denying any award of attorneys' fees is reprinted at App. 68 to 72.

JURISDICTION

The initial judgment of the court of appeals was entered on July 13, 1998. A timely petition for rehearing was filed on July 27, 1998. In response to the petition for rehearing and a suggestion for rehearing *en banc*, the court of appeals' August 25, 1998 opinion amended its July 13, 1998 opinion and otherwise denied the petition for rehearing. The jurisdiction of this Court rests upon 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

The pertinent portions of Article I, section 8 of the U.S. Constitution, sections 1(e) and 101(e) of the Copyright Act of 1909, as amended, and sections 106, 203, 304, 504, 505 and 602 of the 1976 Copyright Act are reprinted in the Appendix. App. at 86 to 92.

STATEMENT OF THE CASE

I. LEGAL AND FACTUAL BACKGROUND

This copyright infringement case poses important issues concerning the territorial limits of the U.S. Copyright Act and the proper application of the copyright doctrine of contributory infringement to foreign infringements. *See Mills Music, Inc. v. Snyder*, 469 U.S. 153, 163 (1985) (certiorari granted to resolve an important question of copyright law even in the absence of conflicting circuit decisions).

Los Angeles News Service (LANS) is an independent news organization which produces video and audio tape recordings of newsworthy events and licenses them for profit. In 1992, it furnished live and taped news footage to an independent Los Angeles television station, KCOP, under an arrangement acknowledging LANS' copyright ownership and allowing LANS to license other broadcasters on a non-exclusive basis. During the April 1992 riots following the acquittals of police officers accused of beating motorist Rodney King, LANS covered the events at a busy intersection in Los Angeles from its helicopter, producing two videotapes: "The Beating of Reginald Denny" and "Beating of Man in White Panel Truck" (the

"Works"). Within hours, LANS orally licensed these copyrighted Works to several national television networks, including National Broadcasting Company, Inc. (NBC). NBC used the Works the next morning on NBC's *Today* show.

The Reuters defendants (Reuters Television International, Ltd., Reuters America Holdings, Inc., and Reuters America, Inc., collectively Reuters) are television news agencies that gather and provide audiovisual and other news material to their subscribing broadcast stations for an annual fee. Declaration of Jeremy Smith, App. at 78 to 79. Visnews International (USA), Ltd. (Visnews), a joint venture of Reuters Television Limited, NBC and the British Broadcasting Company, had a news supply agreement with NBC News Overseas which authorized Visnews to rebroadcast NBC news programs abroad. When NBC broadcast the New York-based *Today* show incorporating the LANS footage to its affiliates, it simultaneously transmitted the show via a closed circuit fiber link to Visnews in New York pursuant to the Visnews/NBC agreement. Visnews made a videotape copy of each Work as broadcast and transmitted copies (1) electronically to the New York office of the European Broadcasting Union (EBU), which in turn transmitted them via satellite to EBU's office in Europe, and (2) to Reuters' London branch. EBU in Europe made copies available to its subscriber stations by putting them on satellites accessible in Europe and parts of Africa. *See* Smith Decl., App. at 78.

II. PROCEEDINGS IN THE DISTRICT COURT

LANS first sued NBC, alleging that NBC exceeded its oral license by permitting foreign uses. After that litigation was settled, LANS brought this action for copyright

infringement under U.S. copyright law against the Reuters defendants and Visnews. Defendants moved for summary judgment on several grounds. So far as is relevant to this Petition, they contended that (1) extraterritorial infringement does not violate American copyright law, (2) the fair use doctrine precludes a finding of infringement, and (3) there was no evidence that *any* actual damage, foreign or domestic, was in fact caused by defendants.[1] The district court granted defendants' motion with respect to extraterritorial infringement and the claim for actual damages. App. at 23, 25 to 27, 44 to 45 & n.7. It denied the motion with respect to the fair use defense

---

[1] "Actual damages" under the Copyright Act include a plaintiff's compensatory loss and defendant's unjust enrichment measured by those profits of defendant attributable to the infringement. 17 U.S.C. § 504(a)(1)&(b). Defendants submitted evidence that they had no profits attributable to overseas broadcasts. Smith Decl., ¶ 10, App. at 78 to 79. *See Walker v. Forbes, Inc.*, 28 F.3d 409, 412-14 (4th Cir. 1994) (proper to admit evidence that insertion of unauthorized photo in article had no impact on unrelated advertising revenues or subscriber sales) (relying on *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 407 (1940)). Defendants also objected to plaintiff's proffered proof, through Messrs. Ramey and Tur, that LANS suffered actual damages which were *caused* by defendants' foreign activities, and the district court ruled all such evidence was inadmissible hearsay. App. at 23, 25 to 27, 44 to 45 & n.7. Because plaintiff failed to appeal these rulings, the "liability" issue for foreign damages was seemingly mooted. However, the appeals court reached out to decide the liability issue by reading the district court opinion *not* to have so ruled. App. at 3 n.1, 15 n.8 (court of appeals adding word "domestic" to modify district court's unqualified finding that LANS failed to present admissible evidence of actual damage).

and entered partial summary judgment for LANS, determining that the fair use defense did not shield defendants' actions. App. at 23.

Following a bench trial on the remaining issues, the district court found that Visnews had (1) committed *direct infringement* by making one copy of each Work at Visnews' New York office and (2) committed *contributory infringement* by making one copy of each tape available to third party, EBU, at its New York office. App. at 62. LANS failed to prove the infringement was willful, and defendants failed to prove that it was innocent. The court entered judgment for LANS for $60,000 in statutory damages based on the four domestic infringements by Visnews. App. at 65 to 67. In a subsequent order, the court denied LANS' and Reuters' applications for costs and attorneys' fees. App. at 68 to 72.

III. PROCEEDINGS IN THE COURT OF APPEALS

LANS appealed to the Ninth Circuit Court of Appeals from the ruling barring recovery of extraterritorial damages and defendants cross-appealed from the ruling denying the fair use defense and from the damage award. *See* note 1, *supra*. Both appealed from the order denying attorneys' fees and costs. The court of appeals had jurisdiction pursuant to 28 U.S.C. § 1291.

The court of appeals affirmed the summary judgment denying the fair use, reversed the ruling barring LANS' claim for extraterritorial damages and remanded for a trial on actual damages, with directions that (1) if LANS elects to recover actual damages, the award of statutory damages should be vacated; and (2) if LANS elects to recover statutory damages, the district court's award of such damages would stand. The denial of attorneys' fees

and costs was vacated without prejudice to further proceedings upon entry of judgment. LANS was awarded its attorneys' fees and costs on appeal. App. at 21.

In reversing the claim for foreign damages, the court of appeals reasoned that, although Congress intended that the U.S. Copyright Act should have no extraterritorial effect, App. at 4, the *courts*[2] have purported to *create an exception*: where a completed act of infringement has occurred entirely within the United States, but for which the alleged foreign damages would not have allegedly occurred in foreign countries, the U.S. Copyright laws may be applied to determine the foreign damages that flow from such U.S. infringement as measured by the "exploitation abroad." App. at 2, 7, 9.

Unbeknownst to the Court of Appeals or petitioners, as of the time of the May 4, 1998 hearing in which plaintiff LANS was urging a judicial exception to the territorial rule, LANS had already commenced a civil action on April 28, 1998, in London against Reuters and third party EBU for copyright infringement for the same exploitation in the United Kingdom which was the subject of the court of appeals' judgment. LANS delayed service of the Writ until after the initial judgment was rendered by the court of appeals. App. at 81.

---

[2] The court noted that only the Second and Ninth Circuits have addressed this issue. App. at 7 n.3.

REASONS FOR GRANTING THE WRIT

I. CERTIORARI SHOULD BE GRANTED TO RESOLVE IMPORTANT AND RECURRING QUESTIONS REGARDING THE JUDICIALLY-CREATED "PREDICATE ACT" EXCEPTION WHICH WOULD APPLY U.S. COPYRIGHT LAW TO ALLEGEDLY INFRINGING FOREIGN ACTIVITIES IN DIRECT CONTRADICTION TO THE PRESUMED AND ESTABLISHED RULE THAT CONGRESS INTENDED THAT THE U.S. COPYRIGHT LAWS SHOULD HAVE NO GENERAL EXTRATERRITORIAL APPLICATION

A. Whether A Federal Statute Has Extraterritorial Effect Is A Matter Of Congressional Intent

Although Congress has authority to enforce its laws beyond the territorial boundaries of the United States, *EEOC v. Arabian Amer. Oil Co.*, 499 U.S. 244, 248 (1991) (*"Aramco"*), whether Congress has in fact exercised that authority in a given case is a matter of statutory construction. *Ibid.* It is a long standing principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States. *Ibid.*; *Smith v. United States*, 507 U.S. 197, 203-04 (1993); *Benz v. Compania Naviera Hidalgo, S.A.*, 353 U.S. 138 (1957); *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949).

1. This Court Applies A Presumption That Congress Has Not Intended To Apply Its Statutes Extraterritorially

This Court assumes that

> Congress legislates against the backdrop of the presumption against extraterritoriality. Therefore, unless there is "the affirmative intention of

> the Congress clearly expressed," *Benz, supra,* at 147 . . . , we must presume it "is primarily concerned with domestic conditions." *Foley Bros., supra,* at 285, . . .

Aramco, 499 U.S. at 248.

2. At Least One Purpose Of The Presumption Is To Protect Against Unintended Clashes Between U.S. Laws And Those Of Other Nations

The presumption "serves to protect against unintended clashes between our laws and those of other nations which could result in international discord." *Aramco,* 499 U.S. at 248. It is also rooted in the "commonsense notion that Congress generally legislates with domestic concerns in mind." *Smith,* 507 U.S. at 204 n.5.

3. Merely Plausible Arguments Or Ambiguous Evidence Of An Intent To Apply A Statute Extraterritorially Will Not Overcome The Contrary Presumption

The presumption against extraterritorial application of U.S. laws is not overcome by merely "plausible" or "competing interpretations" or the existence of ambiguous evidence in the statutory language and legislative history; otherwise "there would be little left of the presumption." *Aramco,* 499 U.S. at 249-253.

4. Courts Have No Authority To Create "Exceptions" To The Presumed Congressional Intent Against Extraterritorial Applications Of U.S. Laws

It is axiomatic that, in the absence of an " 'affirmative intention of the Congress clearly expressed,' " courts may

not create their own "exceptions" to the presumed congressional intent that a federal law should not be applied extraterritorially. *See Aramco*, 499 U.S. at 248; *Sale v. Haitian Centers Council, Inc.*, 509 U.S. 155, 173 (1993) (rejecting court of appeals' conclusion that the presumption was irrelevant in the absence of a showing of conflicting laws).

When expressly requested in 1994 to create a judicial exception to protect against alleged adverse effects caused in the U.S. by foreign acts of infringement, an *en banc* panel of the Ninth Circuit, applying *Aramco*, declined, because (1) the panel concluded such an exception would create a risk of conflicts that "might disrupt Congress's effort to secure a more stable international intellectual property regime". *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1097 (9th Cir.) (*en banc*), *cert. denied*, 513 U.S. 1001 (1994), and (2) "it is for Congress, and not the courts, to take the initiative in this field." 24 F.3d at 1098.

B. The "Predicate Act" Exception That The Ninth And The Second Circuits Would Employ To Justify Application Of U.S. Copyright Laws To Calculate Damages For Infringements Alleged To Have Occurred By "Exploitation Abroad" Does Not Overcome The Territorial Presumption Mandated By *Aramco*

Purporting to follow the Second Circuit, the Ninth Circuit's Opinion has attempted to justify its application of U.S. copyright laws to foreign acts by resort to a judicially-created "predicate act" exception that does not, and cannot, overcome the presumption that Congress intended there to be no extraterritorial application of U.S. copyright laws.

United States courts are unanimous that Congress has long intended that the U.S. copyright laws have no extraterritorial application.[3] This rule applied to U.S. copyright laws (a) *before 1909*: *Ferris v. Frohman*, 223 U.S. 424, 434-35 (1912) (copyright laws are territorial and thus British law had no effect on British works in U.S. under U.S. Copyright Acts of 1856, 1870 and 1891); *United Dictionary Co. v. Merriam Co.*, 208 U.S. 260, 264-66 (1908) (Act of 1874 construed not to require copyright notice to be affixed to copies of American book published abroad); (b) *to the 1909 Copyright Act*: *Twin Books Corp. v. Walt Disney Co.*, 83 F.3d 1162, 1166-67 (9th Cir. 1996) (U.S. notice requirements not applicable abroad); *Filmvideo Releasing Corp. v. Hastings*, 668 F.2d 91, 93 (2d Cir. 1981) (no injunction or seizure in U.S. to prevent foreign exploitation of films that infringed U.S. laws); *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1101 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976) (no application of U.S. law to Canadian performances of music even though preparations made in U.S.); *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657, 662 (2d Cir. 1955) ("a copyright has no extraterritorial effect"); *Heim v. Universal Pictures Co.*, 154 F.2d 480, 486 (2d Cir. 1946) (U.S. notice requirements not applied abroad); *American Code Co. v. Bensinger*, 282 Fed. 829, 833 (2d Cir. 1922) ("The copyright laws of one country have no extraterritorial operation, unless otherwise provided"); and (c) *to the existing 1976 Act*: *Update Art, Inc. v. Modiin Publishing, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988)

---

[3] *Subafilms*, 24 F.3d at 1095 ("we are unwilling to overturn over eighty years of consistent jurisprudence on the extraterritorial reach of the copyright laws without further guidance from Congress").

(acknowledging territorial limits, but purporting to create a judicial exception if foreign infringement was enabled by U.S. activity); *Yount v. Acuff Rose-Opryland*, 103 F.3d 830, 835 (9th Cir. 1996) ("It is axiomatic that United States copyright law does not apply extraterritorially" and thus does not govern rights to foreign royalties); *Allarcom Pay Television, Ltd. v. General Instrument Corp.*, 69 F.3d 381, 387 (9th Cir. 1995) (no application of U.S. copyright laws to satellite transmissions from U.S. to Canada because "federal copyright law does not apply to extraterritorial acts of infringement"); *Subafilms, Ltd. v. MGM-Pathe Communications, Inc.*, 24 F.3d 1088, 1095-96 (9th Cir. 1994) (*en banc*), *cert. denied*, 130 L.Ed.2d 449 (1994) (no application of U.S. law to acts of "contributory infringement" occurring in U.S. because they only enabled infringements which occurred abroad); *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 249 (4th Cir. 1994), *cert. denied*, 132 L.Ed.2d 263 (1995) (acknowledging territorial limits of U.S. copyright laws).

The commentators have uniformly acknowledged the territoriality rule. *See* L. Amdur, *Copyright Law & Practice*, § 15 at 210-11 (1936) ("American copyright has no extraterritorial force and effect beyond the United States and its territories"); H. Ball, *Law of Copyright & Literary Property*, § 97 at 215 (1944) ("the copyright laws of one country have no extraterritorial operation in the other, unless otherwise provided"); 2 P. Goldstein, *Copyright* § 16.0 (1998) ("*Goldstein*"); 4 M. & D. Nimmer, *Nimmer On Copyright* § 17.02 & n.2 (1998) ("*Nimmer*"); 2 W. Patry, *Copyright Law & Practice*, 1089-91 (1994) ("*Patry*"). Some writers simply report that courts have created a judicial exception, but they make no *Aramco* or other analysis. *See* 2 *Goldstein*, § 16.2; 4 *Nimmer*, § 17.02 & n.2; 2 *Patry, supra.*

1. The Purposes Of The Presumption Against Extraterritorial Application Of U.S. Laws Abroad Are Especially Applicable To Copyright Laws

The presumption against extraterritorial application of U.S. law abroad "serves to protect against unintended clashes between our laws and those of other nations which could result in international discord." *Aramco*, 499 U.S. at 248. It also reflects "the commonsense notion that Congress generally legislates with domestic concerns in mind." *Smith*, 507 U.S. at 204 n.5.

In *Subafilms*, applying this Court's *Aramco* holding and rationale to U.S. copyright laws, a 1994 *en banc* Ninth Circuit panel made an extensive analysis of potential conflicts in the course of *rejecting* a request to extend U.S. copyright laws to extraterritorial acts of infringement when such acts " 'result in adverse effects within the United States.' " 24 F.3d at 1095. The *en banc* panel held that even the *potential* for international discord was a decisive factor to justify rejection: at the time of alleged foreign infringements there in 1987,[4] the U.S. was a

---

[4] At the time of the 1994 *Subafilms* decision, that panel could point to U.S. membership in the Universal Copyright Convention and the 1988 U.S. accession to the Berne Convention for the Protection of Literary and Artistic Works ("Berne Convention"). 24 F.3d at 1097. *See* 1988 amendments to the U.S. Copyright Act. 9 *Nimmer*, App. 2A. That trend continues. *Subafilms* noted the just concluded negotiations of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), which included the TRIPS rules, which require all member states to accede to the Berne Convention, with its national treatment principle. 24 F.3d at 1098 n.16; 10 *Nimmer*, App. 42; *Patry*, at 1311-16. The GATT treaty was ratified by the U.S. and its implementing provisions were incorporated into the U.S.

member of several multilateral copyright treaties whose central thrust is the principle of "national treatment," that principle implicates a rule of territoriality, and thus it would be

> inappropriate for the courts to act in a manner that might disrupt Congress's efforts to secure a more stable international intellectual property regime unless Congress otherwise clearly has expressed its intent. The application of American copyright law to acts of infringement that occur entirely overseas clearly could have this effect.

24 F.3d at 1097. *Subafilms* explained that

> extraterritorial application of American law would be contrary to the spirit of the Berne Convention, and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern. Consequently, an extension of extraterritoriality might undermine Congress's objective of achieving " 'effective and harmonious' copyright laws among all nations." House Report, [No. 609, 100th Cong., 2d Sess. 43] at 20.

24 F.3d at 1097. *Subafilms* elaborated that an extraterritorial application to foreign acts of infringement that result in adverse effects in the U.S.

> might well send the signal that the United States does not believe that the protection accorded by the laws of other member nations is adequate, which would undermine two other objectives

---

copyright law on December 8, 1994. *See* 1997 *Patry* Supplement 2-3; 9 *Nimmer*, App. 2G. As of 1998, over 77 countries, including all European countries, Russia and China have become Berne members. *See* 4 *Nimmer*, § 17.01[B][1] at 17-6; 9 *Nimmer*, App. 22.

> of Congress in joining the convention: "strengthen[ing] the credibility of the U.S. position in trade negotiations with countries where piracy is not uncommon" and "rais[ing] the like[li]hood that other nations will enter the Convention." S.Rep. 352, 100th Cong., 2d Sess. 4-5, *reprinted in* 1988 U.S.C.C.A.N., 3706, 3709-10. [Footnote omitted.]

24 F.3d at 1097-98 & n.16. *See Lujan v. Defenders of Wildlife*, 504 U.S. 555, 585-586 (1992) (Stevens, J., concurring) (evidence that Congress chose to join international community for a common goal does *not* indicate an intention to apply U.S. law abroad).

Finally, the possibility that application of U.S. law to "exploitation abroad" would produce difficult choice-of-law problems,[5] is a reason for applying the *Aramco* presumption. *Subafilms*, 24 F.3d at 1098 (citing *Environmental Defense Fund, Inc. v. Massey*, 986 F.2d 528, 533 (D.C. Cir. 1993) (noting that the *absence* of choice of law dilemmas in applying U.S. law to projects in Antarctica provided a reason for *not* applying the presumption)). *But see, Smith*, 507 U.S. at 204 n.5 (the presumption governs even in the absence of possible conflicts of law).

The use of the "national treatment" principle – application of the law of the place where the infringement occurs – has gone a long way to avoid conflicts of law in copyright. 4 *Nimmer*, § 17.05. But, application of the "predicate act" exception will upset "national treatment" and the reasonable expectations of people who must

---

[5] Although the Nimmer treatise opines that "national treatment" has resulted in an absence of conflicts of law problems, 4 *Nimmer*, § 17.05, at 17-37, the Second Circuit has recently challenged that view. *See Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 89-92 & n.8 (2d Cir. 1998).

daily determine "clearance" issues in the distribution of copyrighted materials. Commerce and the value of copyrighted works is enhanced if copyright owners can predict with assurance, for example, that a film with an "Abend" problem[6] might not be able to be distributed in the U.S. but can be distributed elsewhere. Or, that a film affected by the British "reversion" right[7] might not be available for distribution in the U.K., but may be distributed elsewhere. *See* note 14, *infra*.

2. No Legislative History Or Statutory Interpretation Supports An Extraterritorial Application Of U.S. Copyright Laws To Allegedly Infringing "Exploitation Abroad"

Enactment of the present 1976 Copyright Act was preceded by a congressionally-sponsored series of 34 studies on major areas of copyright law. *See Mills Music, Inc. v. Snyder*, 469 U.S. 153, 159 & n.15 (1985). Nowhere in those studies or in the authoritative 1976 House Report[8] is there any discussion of an intention to give U.S. copyright laws extraterritorial application.

Unlike the Lanham Act and some other federal statutes that are applied extraterritorially,[9] there is "no clear expression of congressional intent in either the 1976 Act

---

[6] *See* 3 *Nimmer*, § 9.06[C] and [D].

[7] *See* 4 *Nimmer*, § 17.12.

[8] H.R. Report No. 94-1476, 94th Cong. 2d Sess. (1976).

[9] In *Aramco*, 499 U.S. at 252, this Court listed some of those laws, *e.g.*, the Lanham Act, and the sufficient evidence of congressional intent manifested in those instances. *See* similar discussion in *Subafilms*, 24 F.3d at 1096; *Nintendo*, 34 F.3d at 249-50 & n.5 (explaining the reason for different treatments of Copyright Act and Lanham Act).

or other relevant enactments to alter the preexisting extraterritoriality doctrine." *Subafilms*, 24 F.3d at 1096. In fact, the 1976 Act as initially enacted, Act of October 19, 1976, Public Law No. 94-553, 90 Stat. 2598 (1976), contained specific prohibitions against extraterritorial application to two new concepts (statutory termination of grants after specified time periods), sections 203(b)(6) and 304(b)(6)(E),[10] and, perhaps, created a single exception by declaring in section 602(a) that the unauthorized importation of copyrighted works constitutes infringement even when the copies lawfully were made abroad. *Ibid. See Quality King Distrib. v. L'Anza Research Int'l, Inc.*, 523 U.S. ___, 140 L.Ed.2d 254, 263-64, 118 S. Ct. 1125 (1998) (construing section 602)[11]. Congress clearly knew how to make specific exceptions to the preexisting territoriality doctrine, but did not do so with respect to claims that "exploitation abroad" gives rise to damages under U.S. law. *See Argentine Republic v. Amerada Hess Shipping Corp.*, 488 U.S. 428, 440-41 (1989); *Aramco*, 499 U.S. at 258.

---

[10] The operation of the termination statutes are described in *Mills Music*, 469 U.S. at 164-78. Congress specified that each new termination provision "in no way affects rights arising under any other Federal, State, or foreign laws". This specific exemption for "rights arising under . . . foreign laws" does not imply a general extraterritorial application of the copyright laws. *See Aramco*, 499 U.S. at 249 ("alien exemption" clause did not defeat presumption).

[11] The *Subafilms* panel concluded that section 602 was a congressional exception to the territorial rule, 24 F.3d at 1096, although Professors Gorman and Ginsburg suggest that by declining to effectuate a foreign law in the U.S. section 602 actually reinforces the territoriality of U.S. copyright laws. R. Gorman and J. Ginsburg, *Copyright For The Nineties*, 1997 Supplement at 204.

Instead, the presumption is fortified by the language of the 1976 Act. *See Smith*, 507 U.S. at 203-04.

Merely "plausible" arguments or "ambiguous" evidence is insufficient to defeat the territorial presumption. *Aramco*, 499 U.S. at 249-253.

3. The Ninth Circuit's Decision Below Directly Conflicts With Relevant Decisions Of This Court, And Of Several Circuit Courts

The district court acknowledged that LANS claimed that the foreign damages "arose from the domestic infringement"; it however analyzed the case as one in which *"any damages* arising extraterritorially are *the result of extraterritorial infringement."* App. at 29. (Emphasis added.)

The Opinion below would hold Visnews liable as a *direct* infringer for making a copy in New York for all damages arising thereafter, not only for damages occurring in the U.S. (in this case statutory damages under section 504(c)(1)), but also for actual "extraterritorial damages" allegedly suffered because of "international distribution" or "exploitation abroad" or "overseas infringing acts", that is, foreign acts of direct infringement (*e.g.*, distribution, performance or display) even by third parties. App. at 2, 4, 6 to 9.

The Second, and now the Ninth, Circuits would justify their extension of U.S. law extraterritorially to allegedly infringing foreign activities because an earlier "predicate act" (making a reproduction of plaintiff's work) occurred in the U.S. which "enabled" the allegedly foreign infringement. As shown below, at 27 to 30, the Opinion ignores or attempts to mask the fact that because of the "predicate act" – the reproduction of the tapes by

defendants in New York – defendants could be held liable only (1) as *direct infringers* regarding the (statutory) damages that were occasioned by the act of "reproduction", and (2) *at most*, only as *contributory infringers*[12] insofar as damages were alleged to have been enabled by and arising from infringing acts occurring abroad, that is, for the infringement of other specified exclusive rights in section 106 (*e.g.*, distribution, performance, exhibition) – assuming that section 106 applies abroad.

But even apart from the issues raised by the Opinion's attempt to sidestep the contributory infringement issue, the Opinion cannot successfully mask the fact that its judicially-created "exception" would impose liability on defendants for "foreign damages" that *depend upon the nature and extent of activities abroad*. Indeed, the very invocation by the court of appeals of the "exception" authorities impliedly concedes its attempted extension of the territorial limits of U.S. copyright law. App. at 6 to 8.

The only *direct* infringements that matter to the *calculation of foreign damages* are the alleged foreign acts of infringement in foreign countries. App. at 2, 4, 6 to 9. If Visnews had simply made the one copy of the *Today* show containing the LANS Works and put that copy in a drawer or a safe in New York, there would be no foreign (or other) damages actually "flow[ing]" merely from the making of the copy in the U.S.

---

[12] As shown *infra*, at 29, to the extent that the Opinion may be read as making defendants responsible as contributory infringers because they enabled acts of infringement to occur abroad, the Opinion directly conflicts with this Court's holdings and *conflicts with opinions of its own circuit*, as well as other circuits.

4. The Court Of Appeals Has No Evidence Of Congressional Intent To Support The Judicially-Created Exception To The Territoriality Principle

The Opinion below ignores *Aramco*[13] and thus makes no attempt to marshal congressional authority for its application of U.S. law to "exploitation abroad." Instead, it relies upon two decisions: *Sheldon v. Metro Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940) and *Update Art, Inc. v. Modiin Publ'g., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988).[14] App. at 6.

Reliance on *Sheldon* is misplaced. First, the *Sheldon* decision did *not* purport to calculate damages generally for foreign infringing activity, but quite specifically limited the U.S. court's jurisdiction to attach only those profits from foreign activities that returned to the U.S.

---

[13] The panel also ignored the *Subafilms' en banc* analysis of *Aramco*, apparently thinking it was writing on a clean slate, App. at 2, 5, because *Subafilms* left open the question whether the "predicate act" exception was "valid". 24 F.3d at 1094. The "predicate act" issue was left open because no evidence had been produced at trial to support it, and it was not briefed for the *en banc* panel. The author of this Petition also represented the *Subafilms* defendants.

[14] Commentaries such as the *Nimmer* treatise simply repeat statements from these cases or *dicta* in cases describing them, without any analysis. *See* discussion *supra* at 12. *But see* 1 P. Geller & M. Nimmer, *International Copyright Law & Practice* § 3[1][b][ii] at INT-49 (1998) (criticizing *Sheldon* and *Update* for "introducing overlapping or inconsistent results into the global web of protection . . . at odds with healthy copyright markets in which media entrepeneurs look to the laws applicable country by country, notably to differing copyright terms and exceptions, in calculating the risks of exploiting a work in any one country").

106 F.2d at 52.[15] That rationale is inapplicable to this case because of an absence of any such profits. See discussion *infra* at n.1. *Sheldon* does *not* recite any "predicate act" rationale.

Second, the *Sheldon* "constructive trust" theory was applied in a nearly 60 year-old-decision arising under the old 1909 Act. That decision made no reference to or analysis of the territoriality principle. The court was blatantly unconcerned about any possible conflicts with foreign law[16] – "the plaintiffs made no proof of foreign law, and we cannot say that the exhibition of the positives [film prints] abroad was a tort", *id.* – contrary to this Court's directive in *Aramco* that no judicial exception to the territorial principle should be created, in order that even the risk of possible conflicts with foreign laws would be avoided.

But, most importantly, inherent in the Opinion below, and perhaps in *Sheldon*, is the mistaken assumption that, although damages are to be measured by the extent of foreign activities, U.S. courts are not thereby applying U.S. law to govern them. This is fallacious. As discussed

---

[15] *Sheldon* was not even cited in a later, conflicting opinion by the same court in *Filmvideo Releasing Corp. v. Hastings*, 668 F.2d 91, 93 (2d Cir. 1981), holding that the fact that U.S. copyright law was infringed by exhibition in the U.S. could not support the destruction, or injunction of the foreign distribution, of a film, because U.S. copyright law is not extraterritorial.

[16] Undoubtedly, international cooperation looked much different to the *Sheldon* court on the eve of World War II than it did to the *Subafilms* court in light of the 1988 U.S. accession to the Berne Convention and U.S. sponsorship of multi-lateral intellectual property treaties based on the national treatment principle. *Subafilms*, 24 F.3d at 1097. *See* note 4, *supra*.

supra, at 18, there are no foreign damages without alleged foreign infringing activities. That fact should, at a minimum, require a U.S. court to consider whether those foreign activities violate the laws of those jurisdictions. Because it is irrelevant to the "predicate act" theory whether the foreign acts even violate foreign laws, application of U.S. law to punish such "exploitation abroad" *will* create actual conflicts of the sort the *Aramco* Court sought to avoid. In fact, *Aramco* would go further and prohibit courts from evading congressional intent to act territorially without proof of actual conflicts – out of a concern that any reliance on foreign acts, lawful or unlawful, to determine liability under U.S. laws would violate the territorial principle. *Smith*, 507 U.S. at 204 n.5.

The *Update Art* decision is the only source of the "predicate act" theory. The Opinion below characterizes the *Update Art* decision as "permitting recovery of copyright *damages accruing abroad from illegal copying in the United States.*" App. at 6-7 (emphasis added). But, *Update Art* was more candid; it expressly held that *"damages accruing from the illegal infringement in the Israeli newspapers* properly were awarded to *Update*." 843 F.2d at 73 (emphasis added). Thus, *Update* faced the fact that it was applying U.S. law to *allegedly infringing activities abroad*. *Update* sought to justify its judicially-created "exception" to the territoriality principle because the "predicate act in the United States, the geographical location of the [initial] illegal reproduction is crucial." *Ibid.*[17] This holding

---

[17] It concluded that "there is *an exception*" to the " 'well established [rule]' that copyright laws generally do not have extraterritorial application . . . when the type of infringement [in the U.S.] permits further reproduction abroad." 843 F.2d at 73.

directly conflicts with the *Aramco* holding, that courts may not create exceptions to the territorial principle, especially when there is a possibility of conflicts with foreign laws.

Update's "predicate act" exception[18] finds no support in the statute or in the case law. *Update* made no attempt to find statutory or legislative history to support its extra-territorial application of U.S. copyright law. It does *not* cite *Sheldon*. It relies upon two decisions: *Peter Starr Prod. Co. v. Twin Continental Films, Inc.*, 783 F.2d 1440 (9th Cir. 1986) and *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976). *Peter Starr* was expressly overruled by *Subafilms* and is not about predicate acts. *Robert Stigwood* rejected the argument that domestic acts that were an "integral part" of a foreign infringement were actionable under U.S. law. 530 F.2d at 1101 ("The Canadian performances, while they may have been torts in Canada, were not torts here"). Similarly, the "foreign exploitation" in this case may have constituted a tort in foreign territories, but it did not occur in the U.S.

The Opinion, App. at 7, also reads *Famous Music Corp. v. Seeco Records, Inc.*, 201 F. Supp. 560, 564, 568-69 (S.D.N.Y. 1961), to support *Update Art*. But *Famous Music* only concluded that making taperecording masters in the U.S. to manufacture vinyl records in Canada constituted a manufacture of a record under section 1(e) of the 1909

---

[18] *Update* apparently borrowed the "predicate act" terminology and analysis from the RICO Act, with its "predicate offense." 18 U.S.C. §§ 1961-1968; *See Holmes v. Securities Investor Protection Corp.*, 503 U.S. 258, 265 n.9, 275 (1992).

Copyright Act.[19] Defendant was ordered to pay the statutory royalty due under section 101(e) for "the tapes sent abroad"; it was not ordered to pay damages for the copies manufactured in foreign territories even though that duplication was made possible by the creation of the masters in the U.S. The Second Circuit in *Robert Stigwood* thus reconciled *Famous Music*. 530 F.2d at 1101.

The *Subafilms* court read the Second Circuit cases as standing for the proposition that "the infringing use would have been actionable *even* if the subsequent foreign distribution that stemmed from that use *never took place*." 24 F.2d at 1094. But the U.S. predicate act would be meaningless to foreign damages "if the subsequent foreign distribution that stemmed from [the copy made in New York] never took place." 24 F.3d at 1094. In a similar vein, the Court of Appeals below felt confident that "the Subafilms court's concerns are inapplicable to the present case" "because the Second Circuit rule would" not permit application of American law to " 'acts of infringement that take place entirely abroad.' " App. at 7, citing *Subafilms*, 24 F.3d at 1098. But, the Court of Appeals below still ignores the need to apply the *Aramco* analysis and its necessary conclusion. Besides, there are no foreign damages without foreign infringement, so for all practical purposes, this is the same case as that postulated by *Subafilms*, where the necessary infringing acts which

---

[19] Section 1(e) of the 1909 Act, 17 U.S.C. § 1(e) (repealed 1977) reproduced at App. 86, granted to the copyright owner the exclusive right "to perform the copyrighted work publicly for profit if it be a musical composition; and . . . to make . . . any form of record in which the thought of an author may be recorded and from which it may be read or reproduced."

determine foreign damages all take place "entirely abroad."

5. The Apparent Felt Need To Create Exceptions To The Territoriality Principle Misapprehends The Availability Of More Appropriate Remedies

The Second and the Ninth Circuits, in *Update* and in the Opinion below, apparently are responding to a felt need to facilitate actions by U.S. citizens in convenient forums to prevent or punish copyright infringement. As shown, the judicially-created "exception" to the territoriality principle (a) directly conflicts with this Court's unbroken line of authority that only Congress may create such exceptions, (b) can never overcome the presumption that Congress intended a territorial limitation of copyright law, and (c) will cause more problems than it solves. But, the Opinion's exception is also unnecessary to accomplish its intended purpose.

United States citizens may already sue in U.S. courts for violations of foreign copyright laws. *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481, 491-93 (2d Cir. 1998) (reversing district court ruling that claims under copyright laws of 18 countries may not be brought in U.S. courts); *Subafilms*, 24 F.3d at 1095 n.10 (explaining that international conflicts could be avoided and plaintiff's needs accommodated by allowing American plaintiffs to sue in U.S. courts under *foreign copyright laws*, citing *London Film Prods. Ltd. v. Intercontinental Communications, Inc.*, 580 F. Supp. 47 (S.D.N.Y. 1984)). *See also* 4 *Nimmer*, § 17.03; 2 *Goldstein*, § 16.2, at 16:8. Indeed, the district court below in deciding that "Defendants are not

liable under the Copyright Act for damages extraterritorially" noted that "this holding does not preclude LA News from recovering damages for extraterritorial infringement. It can seek a remedy for this infringement under the applicable foreign law." App. at 30.

Although the plaintiff in this case could have avoided the territorial issues simply by pleading additional claims expressly relying on specified foreign copyright laws, this is more than a technicality. Where a suit is founded upon appropriate foreign laws, a court may apply such foreign law and thus avoid unnecessary conflicts, inconsistent and multiple suits may be eliminated,[20] and a better focus is provided to analyze possible *forum non conveniens* issues. *See Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947); *Boosey*, 145 F.3d at 491 (2d Cir. 1998); *Murray v. British Broadcasting Corp.*, 81 F.3d 287, 290 (2d Cir. 1996); *Creative Technology, Ltd. v. Aztech Sys. PTE Ltd.*, 61 F.3d 696, 701 (9th Cir. 1995).

---

[20] *See Computer Assoc. Intl., Inc. v. Altai, Inc.*, 126 F.3d 365, 371 (2d Cir. 1997), *cert. denied*, 140 L.Ed.2d 814, 118 S. Ct. 1676 (1998) (prior suit in U.S. not collateral estoppel as to subsequent suit in France for same allegedly infringing activity because U.S. court did not apply French law). LANS has filed a conflicting action in Britain. *See* discussion, *supra*, at 6.

II. CERTIORARI SHOULD BE GRANTED TO RESOLVE AN IMPORTANT AND RECURRING QUESTION, AND CONFLICTS WITH RELEVANT DECISIONS OF THIS COURT AND WITH OTHER CIRCUIT COURTS, REGARDING THE EXISTENCE OF CONTRIBUTORY INFRINGEMENT LIABILITY UNDER U.S. LAW FOR AN ACT OF DIRECT INFRINGEMENT THAT DOES NOT VIOLATE U.S. COPYRIGHT LAW

The circuit court's analysis blurs the traditional distinction in copyright law between liability for a *direct* infringement and for *contributory* infringement. *See Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 n.17 (1984). One can be held liable as a *direct infringer* only if she commits an act that infringes on one of the exclusive rights under section 106. Thus, for example, while a printer who unwittingly violates the section 106(1) reproduction right is liable for actual and statutory damages arising from the act of printing, it would *not* be liable *as a direct infringer* for damages that arise from another's sale or distribution. *Respect Inc. v. Fremgen*, 897 F. Supp. 361, 364 (N.D. Ill. 1995); 3 *Nimmer*, § 12.04[A][2][b] at 12-78.

Only those uses which violate the enumerated exclusive rights in section 106 constitute infringement. *Sony*, 464 U.S. at 432-33. A violation of one right is not necessarily a violation of another. But, a person who supplies the means to infringe, but does not commit one of the acts proscribed by section 106, may still be held liable as a *contributory infringer*. *Sony*, 464 U.S. at 435.

In this case, defendant Visnews was found by the district court to be a *direct infringer* insofar as it reproduced copies of the Works in New York, and *as a contributory infringer* because Visnews sent copies to the New York office of a third party, EBU, expecting EBU to make

further uses. App. at 31 to 32. By a parity of reasoning, Visnews would *not* be a *direct infringer* because it made copies available for overseas broadcasters. *If* liable at all, it could only be as a *contributory infringer*.

A. The Principle This Court Established In *Sony* Means There Can Be No Contributory Infringement Liability Under U.S. Law If The Only Relevant Direct Infringement Occurred Beyond The Territorial Reach Of Section 106.

There can be no *contributory infringer* in the absence of a *direct infringer*. For that reason, to the extent that the Opinion below may be read as making defendants responsible as contributory infringers because they enabled acts of infringement to occur abroad, the Opinion directly conflicts with this Court's holding in *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984), and *conflicts with opinions of its own circuit, Subafilms*, 24 F.3d at 1092-94, as well as other circuits. *See Cable/Home Communications Corp. v. Network Productions, Inc.*, 902 F.2d 829, 845 (11th Cir. 1990); *Columbia Pictures Industries, Inc. v. Redd Home, Inc.*, 749 F.2d 154, 160 (3d Cir. 1984); *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1101 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976); *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971); *see also*, 3 *Nimmer*, § 12.04[A][3][a] & [b] at 12-82 to -91; 2 *Goldstein*, § 6.1.2 at 6:11 to 6:17.

In *Sony*, this Court held that the manufacturers of videocassette recorders could not be held liable as contributory infringers unless the acts which they enabled themselves constituted violation of one of the enumerated acts of direct infringement in section 106. 464 U.S. at 447. In 1994, applying *Sony*, an *en banc* panel of the Ninth

Circuit in *Subafilms*, held that the "authorization" within the U.S. did not constitute a direct infringement, and such activity could not create contributory infringement liability under U.S. law because the infringing act that was authorized occurred entirely abroad, and was thus not a violation of section 106 rights. 24 F.3d at 1090, 1092. *Subafilms* expressly relied upon *Sony* and decisions of the Ninth and other circuits in reaching this conclusion. 24 F.3d at 1092-94.[21]

The Opinion below attempts to evade that holding by purporting to hold the defendants liable for "foreign damages" "from overseas infringing uses", App. at 7, "because the copying in the United States enabled further exploitation abroad." *Ibid.* But, as shown above, the creation of a copy in New York was necessary but not sufficient to cause foreign damages. No foreign damages would "flow" without more conduct. It was the *transmission* of the copy *abroad* that *enabled* any foreign reproduction or distribution. App. at 5. The Court of Appeals acknowledged that that transmission did *not* constitute an infringement of U.S. law. App. at 5. Thus, the Opinion would, in effect, hold defendants liable for contributing to activity that would at most violate foreign law (*e.g.*, future broadcasts by subscribing stations). The foreign stations cannot be held liable as *direct* infringers for violation of any *U.S.* copyright law, because of the territoriality principle. Under *Sony*, no contributory infringement liability against defendants for assisting

---

[21] Because the issue was not presented by the facts or briefed in *Subafilms*, that panel noted the existence of the "predicate act" rule in the Second Circuit, but determined to "express no opinion on its validity in this circuit." 24 F.3d at 1094. The Opinion below decided that issue.

those broadcasts would be permitted under U.S. law either.

B. The Opinion Below Conflicts With The *Sony* Rule, And With Decisions Of Its Own And Other Circuits

Thus, the decision below, by holding defendants liable for "foreign damages" arising from "exploitation abroad" or "overseas infringing uses," App. at 2, 6, 7, 9, which was "enabled" by defendants' transmission of the New York copies of the Works abroad, App. at 5, 7, directly contradicts this Court's holding in *Sony*, 464 U.S. at 442, and conflicts with those circuit court decisions holding that there cannot be any liability for contributory infringement in the absence of direct infringements of section 106 that were the object of that enabling conduct. *See Robert Stigwood*, 530 F.2d at 1101; *Gershwin*, 443 F.2d at 1162; *Subafilms*, 24 F.3d at 1092-94; *Cable/Home Communication Corp v. Network Productions, Inc.*, 902 F.2d 829, 845 (11th Cir. 1990). *See also*, 3 *Nimmer*, § 12.04[A][3][a] & [b] at 12-82 to -91; 2 *Goldstein*, § 6.1.2 at 6:11 to 6:17.

CONCLUSION

For all of the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

LOUIS P. PETRICH
Counsel of Record
ROBERT S. GUTIERREZ
LEOPOLD, PETRICH & SMITH
A Professional Corporation
2049 Century Park East, Suite 3110
Los Angeles, CA 90067-3274
(310) 277-3333

Attorneys for Petitioners

November 20, 1998

APPENDIX

LOS ANGELES NEWS SERVICE,
Plaintiff-Appellant,

v.

REUTERS TELEVISION INTERNATIONAL, LIMITED; Visnews International (USA), Limited; Reuters America Holdings, Inc.; Reuters America, Inc., Defendants-Appellees.

LA NEWS SERVICE, Plaintiff-Appellee,

v.

REUTERS TELEVISION INTERNATIONAL, LIMITED; Visnews International (USA), Limited; Reuters America Holdings, Inc.; Reuters America, Inc., Defendants-Appellants.

Nos. 97-55113, 97-55114.

United States Court of Appeals,
Ninth Circuit.

Argued and Submitted May 4, 1998.

Decided July 13, 1998.

As Amended on Denial of Rehearing and Suggestion for Rehearing En Banc Aug. 25, 1998.

William A. Bergen, Law Offices of William A. Bergen, Auburn, CA, for plaintiff/appellant/cross-appellee.

Louis P. Petrich, Leopold, Petrich & Smith, Los Angeles, CA, for defendants/appellees/cross-appellants.

Appeals from the United States District Court for the Central District of California; Kim McLane Wardlaw, District Judge, Presiding. D.C. No. CV-95-01073-KMW.

Before: CANBY and KLEINFELD, Circuit Judges, and SCHWARZER,* Senior District Judge.

SCHWARZER, Senior District Judge:

On this appeal we must decide whether, under the Copyright Act, a plaintiff may recover actual damages accruing from the unauthorized exploitation abroad of copyrighted work infringed in the United States; whether defendants' exploitation of the work was protected as fair use; and whether the district court erred in its award of statutory damages.

BACKGROUND

Los Angeles News (LANS) is an independent news organization which produces video and audio tape recordings of newsworthy events and licenses them for profit. During the April 1992 riots following the Rodney King verdict, LANS covered the events at Florence Avenue and Normandie Boulevard in Los Angeles from its helicopter, producing two videotapes: "The Beating of Reginald Denny" and "Beating of Man in White Panel Truck" (the works). LANS copyrighted these works and licensed them to National Broadcasting Company, Inc. (NBC), which used them on the *Today* show with the logo of KCOP, a Los Angeles station not affiliated with NBC, superimposed (known in the trade as the downstream). Under the agreement, LANS retained ownership of the works and the right to license them.

---

* Honorable William W Schwarzer, Senior United States District Judge for the Northern District of California, sitting by designation.

The Reuters defendants (Reuters Television International, Ltd., Reuters America Holdings, Inc., and Reuters America, Inc., collectively Reuters) are television news agencies that gather and provide audiovisual and other news material to their subscribers for an annual fee. Visnews International (USA), Ltd. (Visnews), a joint venture of Reuters Television Limited, NBC and the British Broadcasting Company, had a news supply agreement with NBC News Overseas. When NBC broadcast the *Today* show featuring the LANS footage to its affiliates, it simultaneously transmitted the show via fiber link to Visnews in New York. Visnews made a videotape copy of the works as broadcast and transmitted it to subscribers in Europe and Africa. It also transmitted copies of the videotape to the New York office of the European Broadcasting Union (EBU), which in turn made a videotape copy and transmitted it via satellite to Reuters' London branch, which provided copies to its subscribers.

LANS brought this action for copyright infringement against the Reuters defendants and Visnews. Defendants moved for summary judgment on several grounds. So far as relevant to this appeal, they contended that (1) extraterritorial infringement does not violate American copyright law, (2) the fair use doctrine precludes a finding of infringement, and (3) LANS had no evidence of actual damage. The district court granted defendants' motion with respect to extraterritorial infringement and the claim for actual damages.[1] It denied the motion with respect to

---

[1] The district court considered only LANS's claims of domestic damages. *See Los Angeles News Serv. v. Reuters Television Int'l, Ltd.*, 942 F.Supp. 1265, 1274 n. 7 (C.D.Cal.1996) ("*Reuters I*").

the fair use defense and entered partial summary judgment for LANS determining that the defense did not shield defendants' actions. Following a bench trial on the remaining issues, the district court found that Visnews had infringed by making one copy of each videotape and contributing to the making by EBU of one copy of each tape, LANS failed to prove the infringement was willful, and defendants failed to prove that it was innocent. The court entered judgment for LANS for $60,000 in statutory damages based on the four domestic infringements by Visnews.[2] In a subsequent order, the court denied LANS's and Reuters' applications for costs and attorney's fees.

LANS appeals from the ruling barring extraterritorial damages and defendants cross-appeal from the ruling denying the fair use defense and from the damage award. Both appeal from the order denying attorney's fees and costs. We have jurisdiction pursuant to 28 U.S.C. § 1291.

DISCUSSION

I. EXTRATERRITORIAL DAMAGES

It is settled that the Copyright Act does not apply extraterritorially. *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1094 (9th Cir.1994) (en banc). For the Act to apply, "at least one alleged infringement must be completed entirely within the United States." *Allarcom Pay Television Ltd. v. General Instrument Corp.*, 69 F.3d 381, 387 (9th Cir.1995). The district court found that "any

---

[2] The decision is reported at 942 F.Supp. 1275 (C.D.Cal. 1996) (*"Reuters II"*).

damages arising extraterritorially are the result of extraterritorial infringement." *Reuters I*, 942 F.Supp. at 1269. Relying on *Allarcom*, the court held that "[t]he transmissions from Visnews and [EBU] did not violate the Copyright Act. . . . Therefore, Defendants are not liable . . . for damages arising extraterritorially." *Id.* at 1269. We review the district court's grant of partial summary judgment de novo. *Amdahl Corp. v. Profit Freight Sys., Inc.*, 65 F.3d 144, 146 (9th Cir.1995).

The district court's ruling was premised on the assumption that LANS's claim was based on the transmissions from Visnews and EBU to Reuters. However, it also held that Visnews completed acts of infringement in the United States when it copied the works in New York and then transmitted them to EBU which also copied them in New York. Each act of copying constituted a completed act of infringement. *See* 17 U.S.C. § 106(1). It was only after these domestic acts of infringement had been completed that Visnews and EBU transmitted the works abroad.

This case then presents a situation different from that in *Subafilms* and *Allarcom*. In *Subafilms*, the allegedly infringing conduct consisted solely of authorization given within the United States for foreign distribution of infringing videocassettes. 24 F.3d at 1090 n. 3. Similarly, in *Allarcom*, the alleged infringement consisted either of authorization given in the United States for infringement in Canada or broadcasts of copyright material from the United States into Canada, with the infringement not completed until the signals were received in Canada. 69 F.3d at 387.

The issue before us – which the *Subafilms* court did not resolve – is whether LANS "may recover damages for international distribution of the [works] based on the theory that an act of direct infringement, in the form of a reproduction of the . . . [works], took place in the United States." *Subafilms*, 24 F.3d at 1099; *see also id.* at 1094. While this circuit has not heretofore addressed the issue, the Second Circuit has done so in a line of cases beginning with *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir.1939), *aff'd*, 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940). In *Sheldon* the court held, in an opinion by Judge Learned Hand, that plaintiff could recover the profits from exhibiting a motion picture abroad where the infringing copy had been made in the United States. As Judge Hand explained:

> The [copyrighted film] negatives were "records" from which the work could be "reproduced", and it was a tort to make them in this country. The plaintiffs acquired an equitable interest in them as soon as they were made, which attached to any profits from their exploitation, whether in the form of money remitted to the United States, or of increase in the value of shares of foreign companies held by the defendants. We need not decide whether the law of those countries where the negatives were exploited, recognized the plaintiffs' equitable interest; we can assume arguendo that it did not, for, as soon as any of the profits so realized took the form of property whose situs was in the United States, our law seized upon them and impressed them with a constructive trust, whatever their form.

106 F.2d at 52. *See also Update Art, Inc. v. Modiin Publ'g, Ltd.*, 843 F.2d 67, 73 (2d Cir.1988) (permitting recovery of

copyright damages accruing abroad from illegal copying in the United States); *Famous Music Corp. v. Seeco Records, Inc.*, 201 F.Supp. 560, 568-69 (S.D.N.Y.1961) (same). *See also* 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 14.05, at 14-96 (1996) (stating that copyright holders acquire an equitable interest in infringing works produced in the United States as soon as they come into being). *Subafilms* described these cases as being "based . . . on the theory that the infringing use would have been actionable *even if* the subsequent foreign distribution that stemmed from that use never took place." 24 F.3d at 1094. Recovery of damages arising from overseas infringing uses was allowed because the predicate act of infringement occurring within the United States enabled further reproduction abroad.[3]

LANS urges us to adopt the Second Circuit's rule because the unauthorized copying of its works in the United States enabled further exploitation abroad. While the extraterritorial damages resulted from Reuters's overseas dissemination of the works received by satellite transmissions from Visnews and EBU, those transmissions were made possible by the infringing acts of copying in New York. The satellite transmissions, thus, were merely a means of shipping the unlicensed footage abroad for further dissemination.

The *Subafilms* court's concerns are inapplicable to the present case. The Second Circuit rule would not permit application of American law to "acts of infringement that take place entirely abroad." *Subafilms*, 24 F.3d at 1098.

---

[3] No other circuits appear to have addressed this issue.

Nor would a copyright holder be entitled to recover extraterritorial damages unless the damages flowed from extraterritorial exploitation of an infringing act that occurred in the United States. In *Subafilms*, the court reasoned that liability based solely on the authorization of infringing acts "would produce the untenable anomaly, inconsistent with the general principles of third party liability, that a party could be held liable as an infringer for violating the 'authorization' right when the party that it authorized could not be considered an infringer under the Copyright Act." 24 F.3d at 1094; *see also* 3 Nimmer, *supra*, § 12.04[A][3][b], at 12-88 to 12-93 ("It is perverse to construe Congress' intention as holding liable a person who authorizes an activity that is perfectly legal abroad."). Under the Second Circuit's rule, by contrast, a party becomes liable for extraterritorial damages only when an act of infringement occurs within the United States, subjecting it to liability as an infringer (or a contributory infringer) under the Copyright Act. *Cf. Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1100-01 (2d Cir.1976) (copyright holders cannot recover for unauthorized performances of copyrighted work in Canada merely because the performers may have assembled and arranged all necessary elements in the United States); *De Bardossy v. Puski*, 763 F.Supp. 1239 (S.D.N.Y.1991); *Gaste v. Kaiserman*, 683 F.Supp. 63, 65 (S.D.N.Y.1988), *aff'd*, 863 F.2d 1061 (2d Cir.1988); *Ahbez v. Edwin H. Morris & Co. Inc.*, 548 F.Supp. 664, 667 (S.D.N.Y.1982).

Defendants' argument that adoption of the Second Circuit rule would permit plaintiffs to circumvent the statute of limitation by recovering damages for distribution abroad occurring many years after the infringing act

in the United States is without merit. An action must be "commenced within three years after the claim accrued." 17 U.S.C. § 507(b). A claim accrues when an act of infringement occurs, not when consequent damage is suffered. *See Roley v. New World Pictures, Ltd.*, 19 F.3d 479, 481 (9th Cir.1994). A plaintiff's right to damages is limited to those suffered during the statutory period for bringing claims, regardless of where they may have been incurred.

We therefore hold that LANS is entitled to recover damages flowing from exploitation abroad of the domestic acts of infringement committed by defendants.

II. FAIR USE

A. Summary Judgment

Defendants moved for summary judgment on the basis of collateral estoppel, relying on the ruling of a district court in another case involving the same works but a different defendant.[4] Inasmuch as that ruling was reversed on appeal, that issue is moot. In its response to defendants' motion, LANS contended that fair use was inapplicable as a defense to the action. Defendants' reply memorandum did not address the fair use issue, nor did

---

[4] Defendants' collateral estoppel argument rested on the summary judgment granted by another district court to the defendant in *Los Angeles News Service v. KCAL-TV Channel 9*, later reversed by this court. 108 F.3d 1119 (9th Cir.1997), *cert. denied*, ___ U.S. ___, 118 S.Ct. 81, 139 L.Ed.2d 39 (1997). Unlike the defendants in this case, KCAL was one of several Los Angeles television stations that broadcast the Reginald Denny tape after LANS had refused to grant a license. *See id.* at 1120.

defendants object to the district court's treatment of LANS' response as a motion for partial summary judgment.[5] On appeal, defendants for the first time argue that triable issues existed precluding entry of partial summary judgment. Defendants cite our decision in *Los Angeles News Service v. KCAL-TV Channel 9*, 108 F.3d 1119 (9th Cir.1997), *cert. denied*, ___ U.S. ___, 118 S.Ct. 81, 139 L.Ed.2d 39 (1997), reversing summary judgment for defendant based on fair use. Defendants identify no triable issues, however, arising under the facts of this case. While *KCAL* involved the same works, it arose in a different context. Unlike the district court in *KCAL*, the court here made a thorough analysis of the evidence bearing on the relevant factors under § 107. Because there are no genuine issues of material fact and "the district court has found facts sufficient to evaluate each of the statutory factors, an appellate court need not remand for further fact finding but may conclude as a matter of law that the challenged use does not qualify as a fair use of the copyright work." *Harper & Row Publishers, Inc. v. Nation Enter.*, 471 U.S. 539, 560, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985) (quoting *Pacific & Southern Co. v. Duncan*, 744 F.2d 1490, 1495 (11th Cir.1984)) (internal quotations and notations omitted); *see also Los Angeles News Serv. v. Tullo*, 973 F.2d 791, 796 (9th Cir.1992) ("Where the district court has found facts sufficient to evaluate each of the statutory factors considered in determining fair use, . . . we may

---

[5] The procedure followed by the trial court was proper, *see Portsmouth Square, Inc. v. Shareholders Protective Comm.*, 770 F.2d 866, 869 (9th Cir.1985), but does not bar defendants from arguing on appeal that triable issues precluded entry of partial summary judgment for LANS.

determine as a matter of law whether the challenged use is a fair one."); *Fisher v. Dees*, 794 F.2d 432, 436 (9th Cir.1986) (rejecting argument that fair use is appropriate for determination by summary judgment only when no reasonable jury could have decided the question differently).

B. Merits

The district court rejected the fair use defense after finding that three of the § 107 factors favored LANS.[6] In substance, the court found the uses were commercial rather than nonprofit and not very transformative, that they took the "heart" of the work, and that allowing such uses "would result in a substantially adverse impact on the potential market for the original works." *Reuters I*, 942 F.Supp. at 1274.

---

[6] § 107, provides in relevant part:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work . . . for purposes such as . . . news reporting, . . . is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –
>
> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work.

We review a grant of summary judgment de novo. *Ledo Fin. Corp. v. Summers*, 122 F.3d 825, 827 (9th Cir.1997). "Fair use is a mixed question of law and fact," which we also review de novo. *Harper & Row*, 471 U.S. at 560, 105 S.Ct. 2218; *Tullo*, 973 F.2d at 796. In doing so, we must balance the nonexclusive factors set out in 17 U.S.C. § 107. *Harper & Row*, 471 U.S. at 549, 105 S.Ct. 2218.

1. Purpose and Character of Use

Although defendants' service does have a news reporting purpose, its use of the works was not very transformative. Reuters copies footage and transmits it to news reporting organizations; Reuters does not explain the footage, edit the content of the footage, or include editorial comment. "Although such transformative use is not absolutely necessary for a finding of fair use, . . . the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579, 114 S.Ct. 1164, 127 L.Ed.2d 500 (1994) (citations omitted).

Reuters used the works for a commercial purpose, providing the works to other news reporting organizations in exchange for an annual fee. While a commercial use does not by itself preclude a defense of fair use, "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984). Further, "[t]he crux of the profit/non-profit distinction is . . . whether

the user stands to profit from exploitation of the copyrighted material without paying the customary price." *Harper & Row*, 471 U.S. at 562, 105 S.Ct. 2218. LANS normally charges customers for the privilege of copying portions of its works. The district court did not err in finding that this factor weighed in favor of LANS.

Defendants argue that if a broadcaster's use of the works for news reporting may constitute fair use, then "it is obvious that the transmission of such Works to a broadcaster for such purpose cannot . . . be deemed an infringement." The argument misses the point for it is not the transmission that is the infringement but the unauthorized copying of the works. Moreover, in *Tullo*, the court held that the defendant news clipping service – an organization that monitored news programs, recorded them on videotape, and sold copies to interested individuals – was not protected by the fair use defense. 973 F.2d at 799. The defendant, AVRS, argued that the first factor should weigh in its favor because its clients used the tapes for "research, scholarship and private study."[7] *Id.* at 797. The court held that "the ultimate use to which the customer puts the tape is irrelevant, as is the use AVRS's customers make of the tapes AVRS sells." *Id.* Thus, the question of whether defendants' copying and transmission of the works constitutes fair use is distinct from whether their subscribers' broadcasts of the works are fair use.

---

[7] 17 U.S.C. § 107 enumerates scholarship and research as fair uses.

2. Nature of Copyrighted Work

The works were factual and informational, *see Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1153-54 (9th Cir.1986), and had been published by LANS before their use by Reuters. *See Harper & Row*, 471 U.S. at 564, 105 S.Ct. 2218. The district court did not err in finding that this factor weighed in favor of defendants.

3. Amount and Substantiality of What Was Used

The district court found that this factor weighed in favor of LANS because even though Reuters used only a small portion of the works, it was taken from the "heart" of the works. *See id.* at 565-66, 105 S.Ct. 2218. The court noted that Visnews had copied footage from NBC's newscast, which had edited the LANS footage and selected the "heart" of it, and that Reuters presumably used footage from newscasts. Defendants do not contest this factor.

4. Effect on Market

The district court correctly found that this factor weighed in favor of LANS. The court reasoned that although LANS could not prove loss of subsequent sales of the works, and hence actual adverse effect on the market for videotape footage, defendants' actions should not go unpunished. Such actions if permitted would result in a substantially adverse impact on the potential market for the original works. Reuters and LANS are in the business of providing audiovisual news material to

reporting organizations. When such an organization buys footage from Reuters, it does not need to purchase it from LANS, thus lessening the market for LANS's footage. Defendants do not contest this factor.

In sum, the district court, having found that only one of the four statutory factors weighed in favor of defendants, correctly concluded that the fair use defense did not apply. *See Tullo*, 973 F.2d at 799 (holding fair use did not shield a defendant from liability when only one of the four statutory factors weighed in its favor).

III. STATUTORY DAMAGES

Because we reverse the district court's ruling on extraterritorial damages and affirm its ruling on the fair use defense, we must remand for a new trial on actual damages. Accordingly, we conditionally vacate the award of statutory damages. LANS retains the right, however, to make an election before final judgment to recover statutory damages instead of actual damages and profits.[8] 17

---

[8] The district court, having ruled against LANS's claim for extraterritorial damages, also ruled that LANS failed "to meet its burden of proving actual [domestic] damages, so, at most it is entitled to statutory damages." *Reuters I*, 942 F.Supp. at 1275. Because LANS was foreclosed by these rulings from seeking actual damages, it had no opportunity to make the statutory election on damages. It is therefore not precluded from appealing the district court's ruling regarding actual damages. *Compare Oboler v. Goldin*, 714 F.2d 211, 212-13 (2d Cir.1983) (per curiam) (damages appealable where copyright holder failed to elect between statutory and actual damages prior to directed verdict), *with Twin Peaks Prods., Inc. v. Publications Int'l, Ltd.*, 996 F.2d 1366, 1380 (2d Cir.1993) ("Once a plaintiff has elected

U.S.C. § 504(c)(1). Should LANS elect statutory damages, the district court should reinstate its prior award. Against that eventuality, we will address defendants' cross-appeal challenging the statutory damages award.

A. Innocent Infringement[9]

The district court found that defendants did not sustain their burden of proving that they were not aware and had no reason to believe that their acts constituted an infringement of copyright, and thus were not entitled to the reduction in statutory damages under § 504(c)(2). Whether the defendants' infringement was innocent is a factual determination which we review for clear error. *See Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 515 (9th Cir.1985).

---

statutory damages, it has given up the right to seek actual damages and may not renew that right on appeal by cross-appealing to seek an increase in actual damages."); *see also Jordan v. Time, Inc.*, 111 F.3d 102, 104 (11th Cir.1997) (per curiam) (same).

[9] Section 504(c)(2) provides in relevant part:

> (2) . . . In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200. . . .

1. LANS's works were embedded in a licensed work

Defendants contend first that they had "no practicable alternative but to copy those portions of [LANS's] works which were embedded in a licensed work." But practicability is not a proxy for innocence. The argument does not sustain the burden of proving that Visnews "was not aware and had no reason to believe that [its] acts constituted an infringement." § 504(c)(2).

2. Defendants' awareness of limitations on use

Defendants contend that there was no evidence that Visnews accessed the NBC desk log to discover restrictions on the material, and that knowledge of the desk log entry would not have alerted Visnews that the *Today* show contained the works. Their arguments, however, do not address the ground on which the district court based its ruling.

The court agreed that there was no evidence that anyone at Visnews saw the log entry or that knowledge of the entry would have alerted Visnews that copying the NBC feed would violate LANS's copyrights. And it found that there was no direct evidence in the record as to the state of mind of the Visnews or EBU employees who made the infringing copies from the NBC and Visnews feeds.

The court also found, however, that it can be inferred that whoever at Visnews and EBU made the copies of the *Today* show knew that the feed contained "a downstream

that credited KCOP for the production."[10] *Reuters II*, 942 F.Supp. at 1280. The downstream indicates that the portion of tape belongs to someone other than NBC and "could indicate that there were in fact restrictions on any further use of the copyrighted works, and lead a reasonable person to inquire whether copying the feed would infringe a copyright held by KCOP or by another." *Id.*

Defendants have the burden of proving that the infringement was innocent. *See* 17 U.S.C. § 504(c)(2). The district court's finding that they failed to meet their burden is not clearly erroneous.

B. Even Assuming No Innocent Infringement, the Award Was Excessive

Defendants argue, in the alternative, that the award was excessive because LANS licensed the works to the networks and others for lesser amounts and had even established a liquidated damage figure of $10,000 for *un*-authorized use of the works.

The district court has "wide discretion in determining the amount of statutory damages to be awarded, constrained only by the specified maxima and minima." *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir.1984) (citing *L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 39 S.Ct. 194, 63 L.Ed. 499 (1919)). The court is guided by "what is just in the particular case, considering the nature of the copyright, the circumstances of the infringement and the like." *Peer Int'l Corp.*

---

[10] Defendants do not attack this finding on appeal.

v. Pausa Records, Inc., 909 F.2d 1332, 1336 (9th Cir.1990) (quoting *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 232, 73 S.Ct. 222, 97 L.Ed. 276 (1952)). Because awards of statutory damages serve both compensatory and punitive purposes, a plaintiff may recover statutory damages "whether or not there is adequate evidence of the actual damages suffered by plaintiff or of the profits reaped by defendant," *Harris*, 734 F.2d at 1335, in order " 'to sanction and vindicate the statutory policy' of discouraging infringement." *Peer Int'l Corp.*, 909 F.2d at 1337 (quoting *Woolworth Co.*, 344 U.S. at 233, 73 S.Ct. 222).

The court found that although LANS charged the networks only $3,500 for the licenses, these licenses carried numerous restrictions and were of limited duration. Later licenses with various restrictions and durations brought from $5,000 to $6,500. LANS secured a total of $250,000 to $300,000 in license fees for the Reginald Denny tape and less for the other tape. LANS would have charged $250,000 for an unlimited domestic license for the works. The court also took into account the public benefit from such works and the need to encourage their creation. To this end, LANS "must be allowed to profit from them, without concern that expediency, exigent circumstances or the very nature of the fast-breaking news-gathering business will deprive [it] of potential profits from those works." *Reuters II*, 942 F.Supp. at 1283.

The district court "is in a better position than are we to determine appropriate damages." *Harris*, 734 F.2d at 1335; *Peer Int'l Corp.*, 909 F.2d at 1337. Its determination of the amount of statutory damages was not clearly erroneous.

C. Visnews's Contributory Infringement by Providing EBU a Copy of the Works

Defendants also argue that the statutory penalties must be reduced by one-half because the district court erred in ruling that Visnews is liable for contributory infringement with respect to the copies made by EBU of the works Visnews transmitted to it. The district court did not abuse its discretion in ruling that defendants waived this issue, not having raised it until closing argument. Moreover, each side submitted proposed findings of fact and conclusions of law that calculated statutory damages on the basis of all four infringements. We will not take up an issue not properly raised below unless necessary to prevent manifest injustice. *International Union of Bricklayers & Allied Craftsman Local Union No. 20 v. Martin Jaska, Inc.*, 752 F.2d 1401, 1404 (9th Cir.1985). Because defendants have failed to show exceptional circumstances explaining their default, *see id.*, we need not address the issue.

IV. DENIAL OF ATTORNEY FEES

The district court denied the applications for attorney's fees, concluding that "both parties prevailed on significant issues in the case and thus neither can be viewed to be *the* prevailing party." (Emphasis in the original.) Because we reverse the district court's ruling on extraterritorial damages and remand for a trial on actual damages, we must vacate the attorney's fees order without prejudice, of course, to further proceedings following trial.

LANS requests attorney's fees on appeal pursuant to 17 U.S.C. § 505. We conclude that fees are warranted inasmuch as it served the purposes of the Copyright Act for LANS to establish its right to extraterritorial damages and to defend its favorable ruling below on fair use. *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 561 (9th Cir.1996). We award LANS its costs and attorney's fees on appeal, the amount to be determined by the district court on remand.

CONCLUSION

The district court's judgment is affirmed in part and reversed in part. We AFFIRM the court's ruling barring the fair use defense. We REVERSE the ruling barring the claim for extraterritorial damages and REMAND for a trial on actual damages, with directions that if LANS elects to recover actual damages, the award of statutory damages be vacated. If LANS elects to recover statutory damages, the present award shall stand. The ruling denying attorney's fees and costs is VACATED without prejudice to further proceedings upon entry of judgment. We award LANS its attorney's fees and costs on appeal, the amount of attorney's fees to be determined by the district court on remand.

LOS ANGELES NEWS SERVICE, Plaintiff,

v.

REUTERS TELEVISION INTERNATIONAL, LIMITED; Visnews International (USA), Limited; Reuters America Holdings, Inc.; Reuters America, Inc., Defendants.

No. CV-95-1073-KMW (Ex).

United States District Court, C.D. California.

July 22, 1996.

William A. Bergen, Law Offices of William A. Bergen, Auburn, CA, for Plaintiff Los Angeles News Service.

Louis P. Petrich, Robert S. Gutierrez, Leopold, Petrich & Smith, A Professional Corporation, Los Angeles, CA, Patricia Duncan, Burbank, CA, for Defendants Reuters Television International, Limited; Visnews International (USA), Limited; Reuters America Holdings, Inc.; Reuters America, Inc.

ORDER GRANTING DEFENDANTS MOTION FOR SUMMARY JUDGMENT IN PART AND DENYING IT IN PART

WARDLAW, District Judge.

Plaintiff Los Angeles News Service ("LA News") has sued Defendants Visnews International (USA), Limited ("Visnews"), Reuters Television International, Limited, Reuters America Holdings, Inc., and Reuters America,

Inc. ("Reuters" or "the Reuters defendants").[1] It alleges that they violated the Copyright Act and the Federal Communications Act by copying its video footage of the Los Angeles riots that occurred after the acquittal of the police officers accused of beating Rodney King and by distributing it in the United States and abroad.

Visnews and Reuters (collectively, "Defendants") have filed a motion for summary judgment, arguing that they cannot be liable for extraterritorial copyright infringement and that the fair use doctrine precludes a finding of domestic copyright infringement. They also argue that they did not violate the Federal Communications Act because they did not intercept a satellite or radio signal. The Court **GRANTS** this motion in part and **DENIES** it in part. It holds that Defendants are not liable under American copyright law for damages that arise extraterritorially as the result of a domestic infringement. However, it finds that the fair use doctrine does not preclude their liability for the domestic infringement. Although LA News has proven domestic liability, it may not recover actual damages because it has not submitted admissible evidence that any unauthorized uses of its works are attributable to Defendants' infringing activities. Finally, the Court holds that Defendants did not intercept a satellite signal, so they did not violate the Federal Communications Act.

---

[1] Despite the Court's request at oral argument that the parties distinguish among the Reuters defendants, they did not do so. Thus, the Court does not distinguish among them here.

I. BACKGROUND

A. Facts and Contentions

1. Filming of Riots

Robert and Marika Tur are freelance reporters who own LA News. Compl. ¶ 8. LA News produces video and audio tape recordings of newsworthy events and licenses them for profit. *Id.*

During the Los Angeles riots in April 1992, the Turs filmed four persons being beaten. They have entitled the videotape footage of the beatings: "Beating of Reginald Denny," "Beating of Man in White Panel Truck," "Beating of Man in Brown Hatchback with Rescue," and "Japanese Man in Brown Bronco Attacked by Rioters." They registered this footage with the Register of Copyrights. *Id.* ¶ 10. Of course, only the first two videotapes are at issue here.

2. Defendants Obtain Riot Footage

National Broadcasting Company, Inc. ("NBC") obtained Robert Tur's permission to broadcast "Beating of Reginald Denny" and "Beating of Man in White Panel Truck." Robert Tur Depo. I at 99:9-99:14; *id.* at 106:12-18.[2] It used this footage on the *Today* show. Allan Decl. ¶ 4.

In April 1992, Visnews, a joint venture of Reuters Television Limited, NBC, and the British Broadcasting Company, had a news supply agreement with NBC News

---

[2] Deposition I is Robert Tur's deposition in his litigation against NBC. Deposition II is his deposition in the instant litigation.

Overseas, Inc. ("NBC Overseas"). Smith Decl. ¶ 3. Under this agreement, NBC Overseas supplied Visnews with news materials, including NBC news programs that were actually telecast or had been cleared for telecast. *Id.*

When NBC broadcast the *Today* show featuring the LA News footage to its affiliates, it simultaneously transmitted the show via fiber link to Visnews' New York office. *Id.* ¶ 4. Visnews made a videotape copy of the parts of "Beating of Reginald Denny" and "Beating of Man in White Panel Truck" that NBC had included in the *Today* broadcast. *Id.* It transmitted the footage on the videotape copies to its subscribers in Europe and Africa on its early evening feed. Bergen Decl. Ex. 1 at # 7. It also transmitted copies of this videotape via fiber link to the New York City offices of the European Broadcast Union ("the Union"). Smith Decl. ¶ 5.

The Union made a videotape copy of the transmission from Visnews. In turn, it transmitted the video footage via satellite to Reuters' London branch. *Id.* ¶ 6. Reuters admits that it gave some of its subscribers copies of the LA News riot footage. Bergen Decl. Ex. 1 at # 5.

LA News claims that it did not authorize Visnews or Reuters to obtain "Beating of Reginald Denny" or "Beating of Man in White Panel Truck" from NBC.

3. Attempts to Sell LA News' Riot Footage

LA News retained Phil Ramey to market its copyrighted riot footage in Europe and Asia. Ramey Decl. ¶ 3. He solicited French German, Italian, Spanish, British, and Scandinavian newspapers. *Id.* ¶ 6. He opines that he was

unable to sell LA News' photos and videotapes to them because they were using video-grabs of the LA News footage that Reuters included in its transmissions to its subscribers. *Id.* A video-grab is a still shot taken from film footage. *Id.*

LA News has also submitted hearsay evidence that *USA Today* obtained and used video-grabs of LA News' riot footage from Reuters. Tur Decl. ¶ 2.[3] Additionally, Robert Tur says that personnel from Canal Plus, a French company, and ITV, an independent television station in the United Kingdom, told him that Reuters was selling copies of LA News' footage of the attack on Reginald Denny. Robert Tur Depo. II at 74:1-77:5.

LA News has sued Visnews and Reuters, alleging (1) copyright infringement; (2) willful copyright infringement; and (3) violation of Federal Communications Commission statutes and regulations.

B. The Instant Motion

Defendants have filed a motion for summary judgment, arguing that (1) extraterritorial infringement cannot violate American copyright laws; (2) the fair use doctrine precludes a finding of copyright infringement; (3) LA News has no admissible evidence that any

---

[3] Tur states that he phoned the photo editor of *USA Today* and asked why the paper was running a video-grab from LA News' footage and where it obtained the video-grab. He claims that the photo editor told him that *USA Today* obtained the video-grab from Reuters.

unauthorized uses of its copyrighted works are attributable to their infringing activities; and (4) they did not violate the Federal Communications Act because they did not intercept a satellite or radio signal.

II. SUMMARY JUDGMENT STANDARD

Under Rule 56 of the Federal Rules of Civil Procedure, summary judgment is proper if there are not genuine issues of material fact and the moving party is entitled to judgment as a matter of law. Fed.R.Civ.P. 56(c). A party resisting summary judgment has an affirmative obligation to bring forward evidence "on which the jury could reasonably find for [the non-moving party]." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252, 106 S.Ct. 2505, 2512, 91 L.Ed.2d 202 (1986). A mere scintilla of evidence will not suffice. "Where the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no 'genuine issue for trial.' " *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 106 S.Ct. 1348, 1356, 89 L.Ed.2d 538 (1986). The non-moving party must "go beyond the pleadings and show 'by her own affidavits, or by the depositions, answers to interrogatories, or admissions on file' that a genuine issue of material fact exists." *Hopkins v. Andaya*, 958 F.2d 881, 885 (9th Cir.1992) (*quoting Celotex Corp. v. Catrett*, 477 U.S. 317, 324, 106 S.Ct. 2548, 2553, 91 L.Ed.2d 265 (1986)).

III. COPYRIGHT INFRINGEMENT CLAIMS

Defendants argue that LA News cannot prevail on its copyright claims as a matter of law because (1) the

Copyright Act has no extraterritorial effect and (2) the fair use doctrine shields them from liability. They also argue that LA News cannot prove actual damages, so it can only collect statutory damages.

A. Extraterritorial Infringement

Defendants argue that they cannot be liable under the Copyright Act for damages arising from extraterritorial infringement. The Ninth Circuit recently held that United States copyright laws do not have extraterritorial effect, so infringing actions that occur entirely outside the United States are not actionable under the Copyright Act. *Subafilms, Ltd. v. MGM-Pathe Communications*, 24 F.3d 1088, 1091 (9th Cir.1994). Specifically, the Subafilms court found that a defendant who domestically authorizes extraterritorial infringement cannot be contributorily liable for the extraterritorial act. *Id.* at 1092, 1098. It reasoned that an extraterritorial act does not violate American copyright laws because they do not forbid extraterritorial infringement. Therefore, a defendant who domestically authorizes extraterritorial infringement is not authorizing an illegal act.

LA News notes that the *Subafilms* court did not reach the issue of whether copyright holders are entitled to damages under the Copyright Act when they arise extraterritorially as the result of a domestic infringement. *Id.* at 1099. It asserts that Defendants are liable under the Copyright Act for extraterritorial damages that arose from the domestic infringement.

LA News correctly argues that the *Subafilms* opinion does not foreclose it from using the Copyright Act to

recover all damages arising extraterritorially. Professor Nimmer has explained that copyright holders acquire an equitable interest in infringing works produced in the United States as soon as they come into being. 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 14.05, at 14-96 (1996). The "work is thereafter impressed with a constructive trust so that the plaintiff is entitled to profits accruing from the exploitation of the work anywhere in the world." *Id.* Thus, if a defendant makes videotapes of copyrighted video footage in the United States and sells these tapes in Europe, the copyright holder would be entitled to the profits from the European sales under the Copyright Act, as damages flowing from the domestic infringement, as opposed to any "extraterritorial infringement."

However, if American "copyright laws do not have any extraterritorial operation, there [can be] no cause of action and hence no right to a recovery of damages under the Copyright Act for infringements occurring outside of the United States." *Id.* In the instant case, any damages arising extraterritorially are the result of extraterritorial infringement. If the Reuters subscribers in Europe and Africa used the copyrighted footage and refused to buy it from LA News, they received it on Visnews' early evening feed or on a feed that Reuters initiated after it received a satellite transmission from the Union. The transmissions from Visnews and the Union did not violate the Copyright Act. *See Allarcom Pay Television Ltd. v. General Instr. Corp.*, 69 F.3d 381, 387 (9th Cir.1995) (holding that a defendant who transmitted copyrighted works via satellite from the United States to Canada did not complete an infringement in the United States and stating

that "the potential infringement was only completed in Canada once the signal was received and viewed"). Therefore, Defendants are not liable under the Copyright Act for damages arising extraterritorially. This holding does not preclude LA News from recovering damages for extraterritorial infringement. It can seek a remedy for this infringement under the applicable foreign law.

B. Domestic Infringement

1. Visnews

Visnews argues that LA News cannot show that it completed any infringing acts within the United States because the fiber link transmissions from NBC to it and from it to the Union do not violate the Copyright Act. It does not analyze whether the videotape that it made from the fiber link transmission violates the Copyright Act.

To violate the Copyright Act, a defendant must:

> (1) reproduce the copyrighted work in copies or phonorecords;
>
> (2) prepare derivative works based upon the copyrighted work;
>
> (3) distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
>
> (4) in the case of . . . motion pictures and other audiovisual works, . . . perform the copyrighted work publicly;
>
> (5) in the case of . . . motion pictures and other audiovisual work, . . . display the copyrighted work publicly; [or]

> (6) in the case of sound recordings, . . . perform the work publicly by means of a digital audio transmission.

17 U.S.C. § 106.

a. Videotapes

By making a videotape of the fiber link transmission, Visnews reproduced the copyrighted work in a copy, thereby violating section 106. Copies "are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." *Id.* § 101. The videotape is a material object. Visnews mechanically fixed the riot footage to it. By placing the videotape in a VCR, a viewer can perceive the footage.

Visnews reproduced LA News' copyrighted riot footage on a videotape. The videotape satisfies the statutory definition of a copy. Thus, by making the videotape, Visnews violated LA News' copyright. *See Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 449, 104 S.Ct. 774, 792, 78 L.Ed.2d 574 (1984) (holding that individual consumers who taped television programs for non-commercial use did not infringe the copyrights on the programs but noting that if commercial actors made videotape copies of television programs for a profit-making purpose, "such use would be presumptively unfair").

Visnews is also contributorily liable for the infringement that the Union committed when it made a videotape

of the footage from the fiber link transmission. A defendant is contributorily liable for infringement when it has actual or constructive knowledge of the infringement and it materially contributes to the infringing activity. *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845 (11th Cir.1990); *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 749 F.2d 154, 160 (3d Cir.1984). Visnews knew that the Union would have to make a videotape of the fiber link transmission in order to use it. Furthermore, Visnews materially contributed to the infringement by transmitting the copyrighted footage to the Union.

b. Public Performance

LA News has not adduced sufficient evidence to show that Visnews' fiber link transmission to the Union violated section 106 because it was a public performance. A performance is public if it occurs "at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." 17 U.S.C. § 101. Alternatively, a performance is public if someone "transmit[s] or otherwise communicate[s] a performance or display of the work to a place [open to the public or where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered] or to the public, by means of any device or process." *Id.* "[T]he fact that only an insubstantial number of persons actually attend a performance will not derogate from its character as a public performance if under the restrictions imposed a substantial number of persons outside of a normal family circle, and its social acquaintances could have

attended." 2 David Nimmer & Melville B. Nimmer, *Nimmer on Copyright* § 8.14[C], at 8-172 (1996). Additionally, the transmission must be received beyond the place from which it is sent. *Columbia Pictures Indus. v. Professional Real Estate Investors, Inc.*, 866 F.2d 278, 282 (9th Cir.1989).

The fiber link transmitted the footage from Visnews' New York office to the Union's New York office. The transmission was received beyond the place from which it was sent.

A fiber link is a secure closed digital circuit between the transmitting and receiving parties. Lokey Decl. ¶ 3. Visnews argues that its "transmissions were by physical link rather than by broadcasts over the airwaves, [so] they cannot be deemed to be 'public' performances." Motion at 21. This argument flies in the face of section 101's plain language that transmittal may be "by means of any device or process." 17 U.S.C. § 101; *see also On Command Video Corp. v. Columbia Pictures Indus.*, 777 F.Supp. 787, 789-90 (N.D.Cal.1991) (finding a violation of the Copyright Act where a system in which video cassette players located in a hotel equipment room and wired to guest rooms transmitted movies; the system did not involve a broadcast over airwaves).

However, LA News has not submitted evidence about the location of the video monitor on which the Union receives fiber link transmissions, so it cannot show that the performance was public. If the monitor is located in a small engineering room or intake room, only one or two people – an insubstantial number – could view it. If it is in a large room where many people work, any number of the Union's employees, who would not represent a

normal circle of a family, could have received and seen the transmission. Because LA News has not explained where the Union's monitor is located, the Court has no evidence on which to find that a substantial number of people could have seen the copyrighted footage.

LA News also fails to show that the fiber link transmission violates section 106 because it is a distribution. A distribution is the dissemination of copies of a work to the public. *Agee v. Paramount Communications, Inc.*, 59 F.3d 317, 325 (2d Cir.1995). The fiber link transmitted a copy of the riot footage to the Union office. However, as it has stated, the Court has no evidence before it on which it could find that a substantial number of people in the Union office could have viewed the riot footage.

2. The Reuters Defendants

A triable issue of fact exists about whether the Reuters defendants are liable for copyright infringement. LA News' evidence that the Reuters defendants infringed its copyright is Robert Tur's deposition testimony that he contacted someone whose name he believed to be Bob Tschnitzer, who was a Reuters photo editor in Washington, D.C.[4] Robert Tur Depo. II. at 63:11-64:15. Tschnitzer allegedly told him that "[Reuters] had taken [LA News'] photos off the television screen." *Id.* at 65:16-18. When

---

[4] LA News' other "evidence" that the Reuters defendants infringed its copyright in the United States is Robert Tur's conversation with the photo editor from *USA Today*. Tur said that the photo editor said that *USA Today* obtained a video-grab from Reuters. His recounting of what the photo editor said is hearsay and is therefore inadmissible.

Tur told him that this use was copyright infringement, he stated, "Well, we can use anything we want." *Id.* at 65:19. Tur later realized that he had misunderstood the photo editor's name and that Tschnitzer was actually Robert Schnitzlein. He came to this realization when he heard Schnitzlein's voice during a telephone deposition. Tur Decl. ¶ 4.[5]

The Reuters defendants claim that Tur contradicts his deposition testimony in his declaration, so neither testimony is admissible. In his deposition, Tur states that Schnitzlein told him that Reuters was using video footage. In his declaration, Tur states that Schnitzlein told him that Reuters was using still photos. This testimony is not necessarily contradictory. Schnitzlein could have told

---

[5] The Reuters defendants object to this evidence on the ground that Tur's attorney did not tell them that Tur was monitoring the deposition. They argue that this failure to inform violates section 631 of the California Penal Code, which prohibits wiretapping and eavesdropping. *See* Cal.Pen.Code § 631 (West 1988). Although California courts have held that this section prohibits one party to a conversation from permitting another person to monitor the conversation without the consent of the other party to the conversation, the policy underpinning these decisions is inapposite in this case. *See Ribas v. Clark*, 38 Cal.3d 355, 212 Cal.Rptr. 143, 696 P.2d 637 (1985). The *Ribas* court explained that "secret monitoring denies the speaker an important aspect of privacy of communication – the right to control the nature and extent of the firsthand dissemination of his statements." *Id.* at 146, 696 P.2d at 640-41. Schnitzlein had no legitimate expectation that he could deny Tur access to the firsthand dissemination of his statements because Tur had legal access audio tapes and transcripts of the deposition. *See id.* (implying that a tape of a conversation is a firsthand dissemination). Thus, when Tur monitored the deposition, he did not violate Schnitzlein's right of privacy.

Tur that Reuters was using both video footage and stills. Thus, the Court overrules this objection.

Because the Reuters defendants claim that they did not send any LA News' footage or stills to their subscribers in the United States, Tur's testimony creates a triable issue of fact about whether they infringed the Copyright Act.[6]

C. Fair Use Doctrine

Defendants contend that even if they are liable under the Copyright Act, the fair use doctrine shields them from liability. They assert that LA News is collaterally estopped from arguing that the fair use doctrine does not apply because Judge Gadbois granted summary judgment against LA News on fair use grounds in its action against KCAL-TV for infringing the same videotapes at issue in this case.

1. Overview of the Fair Use Doctrine

"Any individual may reproduce a copyrighted work for a 'fair use'; the copyright owner does not possess the

---

[6] The Reuters defendants are not contributorily liable for Visnews' infringement. No evidence exists that they knew or should have known that Visnews infringed LA News' copyright. They were aware that the Los Angeles riots were a major news event. They likely presumed that NBC reporters and cameramen covered it, and they had a license to use NBC coverage. See Bergen Decl.Ex. 9 (memo from Reuters employee expressing surprise at Tur's allegations of infringement because riot footage came from NBC and NBC had not sent out an advisory against using the footage).

exclusive right to such a use." *Sony Corp.*, 464 U.S. at 433, 104 S.Ct. at 784. Section 107 of the Copyright Act lists several uses of copyrighted material that exemplify fair uses; it includes news reporting in this list. 17 U.S.C. § 107. It also sets forth four factors that courts must consider when determining whether a particular use is a "fair use":

> (1) The purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
>
> (2) The nature of the copyrighted work;
>
> (3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) The effect of the use upon the potential market for or value of the copyrighted work.

Id.

Where the district court "has found facts sufficient to evaluate each of the statutory factors considered in determining fair use," the question of whether a challenged use is fair is a matter of law. *Los Angeles News Service v. Tullo*, 973 F.2d 791, 796 (9th Cir.1992).

2. Collateral Estoppel

Defendants' argument that the doctrine of collateral estoppel should preclude LA News from arguing that the fair use doctrine does not apply is persuasive at first blush. The same tapes were at issue in Judge Gadbois' case. *See* Petrich Decl.Ex. A. LA News has already had an opportunity to explain why the fair use doctrine should

not apply. Continuing to relitigate this issue wastes judicial resources.

However, Defendants have not submitted evidence that KCAL used the same portions of the tapes they used. Furthermore, they are not clearly analogous to KCAL because KCAL actually reports the news while they collect reported news and resell it. KCAL and Defendants are not interchangeable, and LA News' arguments about their actions are not necessarily interchangeable. Thus, the collateral estoppel doctrine does not apply.

3. The Purpose and Character of the Use

Defendants argue that their use of the tapes was fair because their purpose was news reporting. In response, LA News contends that a finding that their purpose was news reporting does not end the inquiry because they also had a commercial purpose that tends to negate a finding of fair use.

a. News Reporting

The purpose and character of the use is the first factor a court examines when determining whether a use is fair. The "central purpose" of this investigation is to determine whether the new work "merely supersedes the objects of the original creation . . . or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks in other words, whether and to what extent the new work is 'transformative.' " *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579, 114 S.Ct. 1164, 1171, 127

L.Ed.2d 500 (1994). The more transformative a work the more likely it is a fair use. *Id.* "News reporting is one of the examples enumerated in § 107 to 'give some idea of the sort of activities the courts might regard as fair use under the circumstances.' " *Harper & Row Publishers, Inc. v. Nation Enterprises,* 471 U.S. 539, 561, 105 S.Ct. 2218, 2231, 85 L.Ed.2d 588 (1985).

Defendants have superficial similarities to "news clipping services," which do not have a news reporting purpose. *See Los Angeles News Service,* 973 F.2d at 797 (holding that defendant Audio Video Reporting Services, a "news clipping service" that monitored television news programs, recorded them on videotape, and sold copies of the tapes to interested individuals did not have a news reporting purpose). Defendants monitor news programs, record the news information, and resell it to other news reporting organizations. However, the resale to news reporting organizations distinguishes them from "news clipping services." Their sole purpose is to facilitate news reporting while a "news clipping organization" archives old reports and sells them to researchers. Thus, they have a news reporting purpose.

However, their use of news footage is not very transformative. They do not sequence photos into a news story, add voiceovers explain the footage, or include editorial comment. They merely copy footage and transmit it to news reporting organizations that transform the footage.

b. Commercial

The fact that a use was "commercial as opposed to nonprofit is a . . . factor that tends to weigh against a finding of fair use." *Harper & Row Publishers*, 471 U.S. at 562, 105 S.Ct. at 2231. However, "the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use." *Campbell*, 510 U.S. at 579, 114 S.Ct. at 1171.

Because Defendants are not making a transformative work and are using LA News' footage for a commercial purpose, this factor weighs against them.

4. The Nature of the Copyrighted Work

The next factor the Court must examine is the nature of LA News' footage. "Beating of Reginald Denny" and "Beating of Man in White Panel Truck" are factual, rather than fiction or fantasy. "The scope of fair use is greater when 'informational' as opposed to more 'creative' works are involved." *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148, 1153-54 (9th Cir.1986); *see also Los Angeles News Service*, 973 F.2d at 798 (same). Moreover, the fact that LA News published the footage before Defendants used it weighs in their favor. *See Harper & Row Publishers*, 471 U.S. at 564, 105 S.Ct. at 2232 (holding that "the scope of fair use is narrower with respect to unpublished works"). Thus, this factor weighs in favor of Defendants.

5. The Amount and Substantiality of the Use

The third factor the Court must consider is the amount and substantiality of Defendants' use. They contend that this factor weighs in their favor because they used only a small portion of the total amount of LA News' footage. However, copying only a small portion of a copyrighted work may exceed fair use if the material is taken from the "heart" of the work. *Los Angeles News Service*, 973 F.2d at 798 (citing *Harper & Row Publishers*, 471 U.S. at 564-65, 105 S.Ct. at 2232-33).

"Beating of Reginald Denny" runs for approximately four minutes. However, LA News asserts that the core or "heart" of the tape, which is the actual attack on Reginald Denny, lasts for only about forty-five seconds. It did not provide any information about the playing time or excerpts of "Beating of Man in White Panel Truck." As the Ninth Circuit has noted, however, "[i]n preparing a newscast, a television station selects the most effective and illustrative shots from the raw footage available." *Id.* at 798. Visnews copied footage from an NBC newscast. Because NBC had edited the LA News footage and selected the "heart" of it, this factor weighs against Visnews. Presumably, the Reuters defendants were using footage from the NBC newscast or another newscast, so this factor also weighs against them.

6. The Effect of the Use Upon the Market

The fourth fair use factor "requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also 'whether

unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market' for the original." *Campbell*, 510 U.S. at 590, 114 S.Ct. at 1177 (*quoting* 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.05[A][4], at 13-102.61). Additionally, courts must consider harm to the market for derivative works. *Harper & Row Publishers*, 471 U.S. at 568, 105 S.Ct. at 2234-35. The Supreme Court has stated that "[t]his last factor is undoubtedly the single most important element of fair use." *Id.* at 566, 105 S.Ct. at 2233.

Defendants argue that their use of the Denny videotape did not "harm" any market for the tape. Their evidence for this argument is that Judge Gadbois found that LA News entered into more than a dozen additional licenses for the tape after KCAL aired the copyrighted footage. Petrich Decl.Ex. A. Furthermore, they note that LA News has not submitted any admissible evidence that it lost subsequent sales because Defendants transmitted the footage to their subscribers. Finally, Defendants assert that because the tapes are factual works, they do not have broad potential secondary markets that create a greater potential for commercial harm. *See Sony Corp.*, 464 U.S. at 455 n. 40, 104 S.Ct. at 795 n. 40.

LA News cannot prove loss of subsequent sales of the copyrighted works as a result of Defendants' actions, so it cannot show any actual adverse effect on the market for its videotape footage. However, allowing Defendants' infringing actions to go unpunished would result in a substantially adverse impact on the potential market for the original works. When a news reporting organization, like KCAL, uses LA News' footage, the use is unlikely to

hurt the market for the footage. Other networks need the footage to report the story, and KCAL's use of the footage cannot lessen this need. Instead, it increases the need because it indicates that the viewing public finds the story compelling and important. As a result, competing networks will want to broadcast the story, not ignore it.

Organizations like Defendants satisfy the news organizations' need for the footage; the news organizations can buy the footage from them. When an organization buys the footage from Defendants, it does not need to purchase footage from LA News, thereby lessening the market for LA News' footage. Because Defendants' actions could result in a substantially adverse impact on the market for LA News' copyrighted footage, this factor weighs against them.

Only one of the four statutory factors for determining a fair use weighs in Defendants' favor, so the doctrine does not shield them from liability for copyright infringement. *See Los Angeles News*, 973 F.2d at 799 (finding that the doctrine of fair use did not shield a defendant from liability when only one of the four statutory factors weighed in its favor).

D. Ability to Prove Actual Damages

Because the doctrine of fair use does not shield Defendants from liability, the Court must examine whether LA News is entitled to recover actual damages for the infringement.

1. Law Governing Availability of Damages

In a copyright action, a plaintiff may elect to recover actual damages or statutory damages. 17 U.S.C. § 504(c)(1). It can make this election "at any time before final judgment is rendered." *Id.*

"Actual damages are defined as 'the extent to which the market value of a copyrighted work has been injured or destroyed by an infringement.' " *United States v. King Features Entertainment, Inc.*, 843 F.2d 394, 400 (9th Cir.1988). The copyright holder has the initial burden of "establish[ing] with reasonable probability the existence of a causal connection between the infringement and a loss of revenue. . . . " *Harper & Row Publishers*, 471 U.S. at 567, 105 S.Ct. at 2234. If it makes this showing, "the burden properly shifts to the infringer to show that this damage would have occurred had there been no taking of copyrighted expression." *Id.*

2. Application of Law Governing Actual Damages

LA News has not established with reasonable probability the existence of a causal connection between the infringement and a loss of revenue because all of its "evidence" of this causal connection is inadmissible.[7]

---

[7] LA News "evidence" of damages arising extraterritorially is irrelevant in light of the Court's holding that it has a cause of action under foreign law, not American law, to recover these damages. Nevertheless, the Court notes that the evidence of extraterritorial damages is inadmissible.

Phil Ramey's statement that he was unable to sell LA News' photos to European news agencies because they had already

Robert Tur's testimony that *USA Today* obtained a still photo from Reuters is inadmissible hearsay. He claims that a photo editor told him that *USA Today* obtained the still from Reuters. LA News is offering this statement to prove the truth of the matter asserted. Fed.R.Evid. 801(c).

The Court notes that Robert Tur's testimony that Robert Schnitzlein stated that Reuters was selling and distributing video footage or stills in America does not establish actual damages unless LA News shows that someone bought footage or stills from it.

LA News has failed to meet its burden of proving actual damages, so, at most, it is entitled to statutory damages.

IV. FEDERAL COMMUNICATIONS ACT CLAIM

LA News alleges that Defendants "intercepted and retransmitted a remote broadcast feed belonging to" it, violating the Federal Communications Act. Compl. ¶ 29.

---

used video-grabs that they obtained from Reuters is inadmissible. LA News has not introduced evidence "sufficient to support a finding that [Ramey] has personal knowledge" that (1) these news agencies obtained video-grabs from Reuters and (2) they refused to buy footage from him because they had the video-grabs. Fed.R.Evid. 602.

Robert Tur's testimony that film makers from Canal Plus told him that they would not purchase "Beating of Reginald Denny" from him because they had obtained it from Reuters is hearsay.

Defendants argue that they are entitled to summary judgment on this claim because they did not intercept anything. LA News does not mention this claim in its opposition.

Section 605(a)(2) of the Federal Communications Act provides that: "No person not authorized by the sender shall intercept any radio communication and divulge or publish its existence or contents to any person. . . . " 47 U.S.C. § 605(a).

Defendants have not violated section 605(a). First, this section outlaws satellite and radio signal piracy. *See Cablevision v. Sports Palace, Inc.*, No. 93-1737, 1994 WL 245584, at *3-4 (6th Cir. June 6, 1994) (construing legislative history and determining that Congress was concerned with satellite signal piracy). It is uncontroverted that Defendants initially obtained LA News' footage from a fiber link system. This system is a physical link, not a radio or satellite signal. Thus, they did not intercept a radio communication.

Second, their actions do not satisfy the definition of "interception." The plain meaning of intercept is to waylay or seize before arrival. *Id.* at * 4. LA News has adduced no evidence that Defendants waylaid satellite or radio signals. Instead, the Visnews office was the intended destination of the NBC transmission.[8]

---

[8] Even if Reuters copied LA News' footage from television broadcasts, it did not violate section 605. *See Cablevision*, 1994 WL 245584, at *4 (holding that videotaping a pay-per-view prize fight is not an interception).

Because Defendants did not intercept a satellite or radio signal, they did not violate section 605. *See California Satellite Sys. v. Seimon*, 767 F.2d 1364, 1366 (9th Cir.1985) (holding that failure to prove interception precludes a finding of liability under section 605 even if the defendant divulged a communication transmitted via a radio signal).

V. CONCLUSION

For the foregoing reasons, the Court **GRANTS** Defendants' Motion for Summary Judgment in part and **DENIES** it in part. It orders Defendants to submit a proposed judgment consistent with this order within ten days of receiving it. It also orders Defendants to review their pending motions in limine and to withdraw those that this order moots.

LOS ANGELES NEWS SERVICE,

Plaintiff,

v.

REUTERS TELEVISION INTERNATIONAL, LIMITED; Visnews International (USA), Limited; Reuters America Holdings, Inc.; Reuters America, Inc., Defendants.

No. CV-95-1073-KMW (SHx).

United States District Court,
C.D. California.

Oct. 4, 1996.

William A. Bergen, Law Offices of William A. Bergen, Auburn, CA, for Plaintiff.

Louis P. Petrich, Robert S. Gutierrez, Leopold, Petrich & Smith, A Professional Corporation, Los Angeles, CA, Patricia Duncan, Burbank, CA, for Defendants.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

WARDLAW, District Judge.

This matter came on regularly for trial of the question of statutory damages for the infringements of two copyrighted works owned by Plaintiff on September 24, 1996, in the courtroom of the Honorable Kim McLane Wardlaw, United States District Judge. Plaintiff appeared by and through its attorney, William A. Bergen. Defendants Reuters Television International, Ltd., Visnews International (USA), Ltd., Reuters America Holdings, Inc. and Reuters America, Inc. appeared by and through their attorneys Louis P. Petrich and Robert S. Gutierrez of

Leopold, Petrich & Smith and Patricia Duncan. Evidence by way of affidavits, written discovery, documents, photographs, videotapes and other exhibits was introduced. This Court previously granted in part and denied in part Defendants' Motion for Summary Judgment by Order entered July 23, 1996, and addresses the remaining issues at this time. The matter having been argued by the parties, taken under submission for decision, and the Court being fully apprised in the premises, and **GOOD CAUSE APPEARING THEREFOR**, the Court does now hereby make the following:

FINDINGS OF FACT

1. Plaintiff Los Angeles News Service ("LANS") is a fictitious business name of Robert and Marika Tur, who together comprise an independent news organization engaged in the business of independent news gathering and production, and the sale of news video, videotapes, photographs and other products. On April 29, 1992, LANS provided live video coverage from its helicopter of events at Florence Avenue and Normandie Boulevard, including the attacks and beatings of two truck drivers. Plaintiff's copyrighted videotape known as *"Beating of Reginald Denny"* is registered with the United States Copyright Office, bearing Registration No. PA576704, which had its first publication on April 29, 1992 and had an effective date of registration of May 19, 1992. Plaintiff's copyrighted videotape known as *"Beating of Man in White Panel Truck"* is registered with the United States Copyright Office, bearing Registration No. PA576703, which had its first publication on April 29, 1992 and had an effective date of registration of May 19, 1992.

2. While LANS is an independent news operation, it operates under contract to other news organizations and licenses videotapes of news events to be used by other news operations for television and print media. LANS specializes in utilizing its helicopter for news coverage.

3. The Defendants are Visnews International (USA), Ltd., ("Visnews"); Reuters Television International, Ltd.; Reuters America Holdings, Inc.; and Reuters America, Inc.

4. At all relevant times, Visnews was a television news agency that gathered and provided footage of audiovisual material to its subscribers who paid an annual fee for his service.

5. Reuters Television is, among other things, a television news agency that gathers and provides audiovisual news material to its subscribers who pay an annual fee for this service.

6. Reuters America, Inc. is, among other things, a news and information supplier to subscribers who pay an annual fee for this service.

7. Reuters Television International, Ltd. is the successor in interest to Defendant Visnews. Kogan Declaration, Ex. 35.

8. On April 29, 1992, rioting broke out in Los Angeles, including the area of Florence Avenue and Normandie Boulevard, after the announcement of the acquittals of four police officers accused of beating motorist Rodney King.

9. At the time of the Los Angeles Riots, LANS was under contract to KCOP Television, Channel 13 in Los

Angeles to provide live video broadcasts of news events, which KCOP could rebroadcast, and also under contract to KNX News Radio for audio broadcasts. *See* Ex. 109. As a part of these contracts, however, LANS would retain ownership of the copyright on all the videotape it shot. LANS never sells the copyright for videotape; it only licenses aspects of its copyrights for broadcasts.

10. Upon arrival at the intersection of Florence and Normandie, Mr. and Mrs. Tur noticed that there were no police present and that looting had begun. Mr. and Mrs. Tur began video and audio coverage, which was broadcast live over KCOP Television. Not only did they document the rioting and looting at that intersection, but they captured the events of certain attacks in particular on video, which are now the copyrighted videotapes at issue: "*Beating of Man in White Panel Truck*," Ex. 26, and "*Beating of Reginald Denny*," Ex. 25 (the "Video Works"). These were broadcast live on KCOP, with the narrative report supplied by Robert Tur, and the camera work done by Marika Tur.

11. Because the Video Works were broadcast live over KCOP Television, the demand for them from other news organizations seeking to license the tapes was immediate. Before the Turs had landed their helicopter, the news director at KCOP, Jeff Wald, was fielding calls from other news organizations who sought to obtain licenses to use the tapes. Mr. Wald was in contact with Mr. Tur in the helicopter to field inquiries. Mr. Wald informed all who inquired that LANS owned the copyright to the tapes, and that all licensing agreements would have to be through LANS. Bob Tur, for LANS, granted limited licenses to the National Broadcasting

Company ("NBC") and the American Broadcasting Company ("ABC") to broadcast the Video Works in their news programming within hours after the incident.

12. Bob Tur wanted the Video Works to be seen widely for two reasons. As a reporter, he believed this was an important story that the public needed to know. As a businessman, he believed that if the Video Works were seen over national television, it could create a market for licenses throughout the country to television stations, independent news organizations and news magazines. He decided to license the videotape in a manner so he would not be in breach of the KCOP contract (which prohibited licenses to certain Los Angeles news stations without the explicit permission of KCOP) and still satisfy both goals.

13. LANS, on April 29, 1992, gave a restricted license, the terms of which are disputed, for the Video Works to NBC through an associate producer for NBC named Mike Austin.

14. Mr. Austin knew that KNBC had a helicopter shooting aerials of the developing L.A. Riots. He saw KNBC's footage from the NBC News L.A. Bureau monitor room and believed it to be inferior to that being shown live on KCOP. Watching the live video by the Turs on a monitor side-by-side with a monitor showing KNBC's coverage of the same incidents, he concluded that the Turs' tape was better because it began earlier, had better angles and greater pictures of Reginald Denny.

15. Mr. Tur testified, that, through Mr. Wald, he informed Mike Austin that NBC could license the Video Works for use on its news programs, including the *Today*

Show, with certain restrictions. According to Mr. Tur, Mr. Austin was informed that the license was of 48 hours duration only, KCOP had to be credited, and the tape was for network use only and could not be distributed to overseas broadcasters or affiliates. Mr. Tur told Mr. Wald that a reasonable price for NBC's oral license would be worked out later. This conversation with Mr. Wald took place while Mr. Tur was still on board the helicopter, filming and narrating live coverage of the L.A. Riots.

16. Mr. Austin, at the time a temporary production assistant for NBC News, testified that he heard the terms differently. He stated that no conditions or restrictions of any kind were communicated to him and that he was told only that he would later negotiate a reasonable price.

17. The Court finds that Mr. Austin's testimony on the subject of the terms and conditions of the license lacks credibility. His testimony was inherently implausible in some instances and internally contradictory in others. For example, upon examination by Plaintiff's counsel he testified that although he saw the live coverage by the Turs unfolding, he did not believe "time was of the essence" in obtaining the tape from KCOP. Yet, upon examination by Defendants' counsel, in an attempt to explain why he hurriedly wrote the inscription on the Video Works cassette label "*See* Mike Austin re conditions of use," Ex. 142, testified that timeliness was important because it was a breaking story. Also, with respect to his notation on the label "L.A. Rioting Aerials/From Bob Tur (KCOP-TV) L.A. News Service," Mr. Austin first testified it was made to distinguish the works "from other videos," but later testified that he used the word "aerials" because those were the only aerials he was aware of. Still later, he

testified that he had been aware that NBC had shot other aerials at the same time as LANS, but they were inferior to LANS aerials. Finally, Mr. Austin's use of the term "conditions of use" on the label immediately upon receipt of the cassette belies his testimony at trial that there were no conditions of use for the tape. His subsequent explanation that he thought that the requirement of later negotiating a price was a condition or conditions of use is not credible.

18. On the other hand, Mr. Tur's version of the "credit" issue is not supported by the other evidence adduced at trial. Judy Tur's contemporaneous log of communications concerning the licensing arrangements omits any reference to "credits" or "courtesies." Ex. 7. Furthermore, according to Heather Allan, Judy Tur did not mention credit to KCOP or LANS when she called at 11:30 p.m. the night of April 29. Ms. Allan's log supports her testimony. Ex. 143.

19. Given the circumstances surrounding the negotiation of this oral license, through a third party from a helicopter, in the rush and the heat of the L.A. Riots, for video depicting their violent beginnings, an inference could be drawn either way as to the issue of credit to KCOP as a condition of the license. It is not necessary to the Court's decision to make a finding on that issue, however, because the Court concludes, as both sides argued to prove diametrically opposed contentions, that the Visnews videotape of the copyrighted works bears the downstream in the form of the KCOP logo, Ex. 145, as does the version broadcast on the NBC *Today Show*, Ex. 101. Because Mr. Austin testified that he received a "clean feed" of the video works from KCOP, a fact undisputed in

the record, and hand-delivered it to Ms. Allan, his supervisor, it is plain, as Mr. Tur testified, that someone at NBC for some reason placed the KCOP logo on the tape before it was broadcast as part of the NBC *Today Show* segment. The Court further finds that, even if credit was not explicitly discussed on the occasion of the negotiations for the Video Works, the restrictions Mr. Tur sought from Mr. Austin were standard with NBC, except as to the 48-hour limitation, as Mr. Tur testified.

20. At approximately 11:30 the night of April 29, Judy Tur contacted Ms. Allan to inform her of certain restrictions on the use of the works. At 2:15 a.m. Pacific Standard Time Ms. Allan logged those restrictions on the L.A. Bureau monitor. Contrary to normal custom, neither the L.A. Bureau nor the N.Y. Bureau distributed a telex to inform all affiliates and subscribers of these restrictions. Ms. Allan did, however, go to the NBC Newsroom in L.A. to inform everyone there of the restrictions.

21. Plaintiff's Video Works were fed by satellite from NBC's L.A. Bureau to NBC's N.Y. Bureau at 2:20 a.m. Pacific Standard Time on April 30, 1992. This is reflected in Ms. Allan's log entry, Ex. 144. The Video Works were shown, as agreed by license, on NBC's *Today Show* the morning of April 30, 1992. The *Today Show* was fed by satellite from NBC in New York to its stations and network affiliates across the United States.

22. A news "feed" is a term in the communications industry which refers to any transmission, whether through satellite, microwave or hard wire, of video, audio, still image and text material for incorporation in a subscriber's newscasts or publications, at the subscriber's

discretion. "Subscribers" are other news and information companies which incorporate news feeds into their broadcasts at their discretion. Subscribers do not include members of the general public. Visnews/Reuters made transmissions of the Video Works to the European Broadcasting Union News Exchange, Visnews Early Evening Feed to Europe, Reuters Television Japan Feed, Reuters Television Latin America/North America Feed, and Reuters Television Asia Pacific Feed.

23. As of April 30, 1992, Visnews and NBC News Overseas, Inc. were parties to an existing television news supply agreement pursuant to which NBC News Overseas agreed to supply to Visnews and license Visnews to use news materials which appeared on the NBC News programs, including the *Today Show*.

24. On the morning of April 30, 1992, the Video Works were transmitted by fiber link from NBC's control room in New York to Visnews' New York Office. Visnews made a videotape copy of the Video Works as broadcast on the *Today Show*. The segment that Visnews copied included the selections from Plaintiff's two Video Works which Mr. Austin had previously copied at KCOP. Visnews transmitted Plaintiff's Video Works, via fiber link, to the New York office of the European Broadcast Union ("EBU"), a joint venture with Visnews and Reuters, which then made a videotape copy of the Video Works.

25. The Visnews/Reuters Defendants were not authorized by LANS to obtain the Video Works from NBC or to use them in any form. LANS did not license its Video Works to Visnews or any Reuters Defendant.

26. There is no direct evidence in the record as to the state of mind of the unidentified Visnews employee(s) who made the infringing copy of Plaintiff's work from the NBC feed. Nor is there any direct evidence in the record as to the state of mind of the EBU individual who made the infringing copy from the Visnews feed.

27. Given the absence of direct evidence, Plaintiff urges that the Court infer willfulness from (1) a prior conversation between Marika Tur and Richard Wortman, Visnews' "top dog in L.A.," in which Wortman refused to pay several thousand dollars to LANS for a videotape of news events, saying that he would obtain it from NBC; (2) the prior course of conduct between Mr. Wortman on behalf of Visnews in which he regularly sought licenses or permission from LANS to use its videotaped news events that had appeared on KCOP Channel 13; (3) the fact that Visnews employees, including Wortman, could have viewed the restrictions on the broadcast of Plaintiff's work on the NBC monitors; and (4) the fact that the NBC *Today Show* as broadcast bore the downstream "KCOP."

28. Mr. Wortman's conversation with Ms. Tur, his acknowledgment that he had to seek permission from LANS on several occasions to rebroadcast its live videotape coverage of events, and his further acknowledgement to Mr. Tur that it "would be wrong" to use their tape without permission, in the absence of any evidence that he copied the Video Works or knew of or contributed in any way to their unlawful copying, is not evidence of Visnews' willfulness. To the contrary: the Court could easily infer that these statements and conduct reflect a desire to avoid infringing Plaintiff's copyright.

29. There is no evidence in the record that anyone from Visnews actually saw Ms. Allan's log notation, Ex. 143, on the monitor before the NBC *Today Show* news feed was sent at approximately 7:15 a.m. Eastern Standard Time on April 30, 1992. The Court cannot conclude that even if any Visnews employee had seen the log on the bureau monitor that it would have alerted him or her that copying the feed onto a video cassette would be an infringement of copyright.

30. With respect to Plaintiff's last argument, it can be inferred that whoever at Visnews and EBU made the copies of the NBC *Today Show* segment that included Plaintiff's works did know that the feed contained a downstream that credited KCOP for the production. Mr. Tur testified that the downstream conveys that that portion of the tape belongs to an entity other than NBC; and that it would or should alert others who wanted a copy of the tape as to its true ownership. However, Ms. Allan testified that the downstream would not necessarily mean that there were restrictions on the use of the tape. In this case, there existed a news supply agreement between NBC News Overseas and Visnews which could reasonably lead a Visnews employee who saw the downstream to believe that while the tape was owned by KCOP or that KCOP was the appropriate party to contact for a license to use the tape, his or her copying of the tape would not be an infringement of copyright.

31. Further, although both Messrs. Austin and Wortman knew that broadcasting the Video Works required LANS' approval in order to avoid a violation of copyright, there is no evidence in the record to suggest that either Visnews or EBU believed it did not have that

approval when the infringing copies were made, or acted recklessly under the circumstances.

32. Thus, this Court finds that Plaintiff has not met its burden of proving that Visnews copied Plaintiff's works with knowledge that its conduct constituted copyright infringement or that Defendants acted in reckless disregard of Plaintiff's copyrights.

33. Nor have Defendants met their burden of proving that Visnews acted with a good faith and reasonable belief in the innocence of its conduct. It may equally be inferred from Ms. Allan's testimony that the presence of the downstream, if viewed by Visnews, could indicate that there were in fact restrictions on any further use of the copyrighted works, and lead a reasonable person to inquire whether copying the feed would infringe a copyright held by KCOP or by another.

34. There is no evidence in the record as to what became of the videocassettes, although copies of them were introduced as Ex. 145, the PAL version (for European broadcast), and Ex. 117, the NTSC (for American broadcast).

35. Ex. 145, the PAL or European version, is the authentic version of the Video Works and bears a downstream in the form of the KCOP logo.

36. The "slate" on Ex. 143 indicates that it was used either to further transmit the Video Works or as the index for storage and retrieval of the copy of the infringing videotape within the Reuters library. In neither case is the slate relevant to the Court's decision.

37. In 1992 LANS earned between 50-60% of its income from sales of licenses of live videotape material and stock videos thereof.

38. LANS incurs significant expenses in conducting its business, not all of which are directly related to the expenses incurred, and thereby saved by Defendants, in producing the Video Works. These expenses include the approximate $1 million cost of the helicopter, the costs of operating the helicopter, which during the L.A. Riots was greater than $588 per hour, investment in the tape and the videocamera equipment and employee costs.

39. The LANS helicopter was damaged in the approximate amount of $134,000 during filming of the Riots.

40. Near the time LANS created the Video Works, it charged ABC and CBS $3500 for licenses bearing the same restrictions as the NBC license. Later it licensed the works domestically with various restrictions and durations for amounts ranging from $5000 to $6500, Ex. 30.

41. Ms. Tur testified that she would charge $250,000 for an unlimited domestic license of the works. She also testified that she would not actually license the works under such conditions because it would substantially affect their market.

42. An unauthorized airing of one of the Video Works by an entity otherwise licensed to use the work would result in a $10,000 liquidated damage figure. Ex. 30.

43. With respect to the Video Work *"Beating of Reginald Denny,"* LANS secured between $250,000-300,000

in license fees. The demand for *"Beating of Man in White Panel Truck"* was less. This is also evidenced by the first three license agreements in Ex. 30, which each concerns the licensing of the Denny tape specifically. Two of these agreements charge a fee of $5000; the third charges $6500.

CONCLUSIONS OF LAW

1. This is an action for copyright infringement arising under the Copyright Act, 17 U.S.C. § 101 *et seq.* Plaintiff alleges that Defendants infringed its copyright by copying the Video Works and by distributing the Video Works in the United States and abroad.

2. Federal jurisdiction and venue are invoked upon the grounds that this is a copyright action under 17 U.S.C. § 101 *et seq.* of which the Federal Court has exclusive jurisdiction under 28 U.S.C. §§ 1331 and 1338(a). Venue is based upon residence within the Central District of California under 28 U.S.C. § 1400(a).

3. On July 22, 1996, this Court granted Defendants' Motion for partial summary judgment and determined the following legal issues:

(a) Defendants are not liable under American copyright law for any damages that may have arisen as a result of alleged extraterritorial infringements as the result of a domestic infringement of the Video Works. This is a clarification of language contained at page 2 of the Court's Order which is more fully explained at page 6 of that Order. The transmissions of the Video Works from Visnews and EBU to Europe did not violate the 1976

Copyright Act because the transmissions were not completed until they were received abroad. Thus they do not constitute domestic infringements within the reach of the United States copyright laws. *Subafilms, Ltd. v. MGM-Pathe Communications*, 24 F.3d 1088, 1091 (9th Cir.1994).

(b) Visnews made a videotape copy of the Video Works; this is the only act that is supported by admissible evidence that demonstrates a violation of LANS' United States copyright by Visnews.

(c) Visnews is also contributorily liable for the infringement of the United States copyright law that EBU committed when EBU made a videotape copy of the Video Works in New York City, New York, after receiving it via fiber link from Visnews.

(d) The Reuters Defendants are not liable as contributory infringers for the infringement by Visnews when Visnews made a videotape copy of the Video Works in New York City.

(e) There is no evidence that Visnews' fiber link transmission to EBU was a public performance or a distribution so as to be in violation of section 106 of the Copyright Act.

(f) Although the fair use doctrine does not preclude Defendants' liability for domestic infringement, LANS may not recover actual damages because it did not submit admissible evidence that any unauthorized uses of the Video Works are attributable to any of Defendants' activities that infringe United States copyright law.

4. Plaintiff's copyrighted videos are protected under 17 U.S.C. § 106. The use of Plaintiff's works – the

Visnews and EBU reproduction of the copyrighted works into videotape copies – is a violation of Plaintiff's copyright. Plaintiff may elect either statutory damages or actual damages under 17 U.S.C. § 504. Plaintiff has selected statutory damages.

5. Plaintiff has not sustained its burden of proving that the infringement was committed willfully, and thus is not entitled to increased statutory damages pursuant to 17 U.S.C. § 504(c)(2).

6. Defendants have not sustained their burden of proving that Visnews and/or EBU were not aware and had no reason to believe that their acts constituted an infringement of copyright, and thus are not entitled to the reduction in statutory damages specified in 17 U.S.C. § 504(c)(2).

7. Plaintiff is entitled to "an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $500 or more than $20,000 as the court considers just." 17 U.S.C. § 504(c)(1).

8. In determining the award of statutory damages "the court's conception of what is just in the particular case, considering the nature of the copyright, the circumstances of the infringement and the like, is made the measure of the damages to be paid . . . [T]he court's discretion and sense of justice are controlling . . . [within the prescribed statutory limitations . . .]. The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also

is designed to discourage wrongful conduct. . . . Even for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within statutory limits to sanction and vindicate the statutory policy." *F.W. Woolworth Co. v. Contemporary Arts*, 344 U.S. 228, 232, 73 S.Ct. 222, 225, 97 L.Ed. 276 (1952) (citations omitted); *see Peer Int'l Corp. v. Pausa Records, Inc.*, 909 F.2d 1332, 1336-37 (9th Cir.1990); 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 14.04[B][1][a] at 14-50 (1995) (hereinafter "Nimmer") ("the determination of statutory damages within the applicable limits may turn upon such factors as 'the expenses saved and profits reaped by the defendants in connection with the infringements, the revenues lost by the plaintiffs as a result of the defendant's conduct, and the infringer's state of mind. . . . ").

9. Examining the nature of the copyrighted works at issue, the Court rejects Defendants' argument that the Video Works are more akin to a product of the "sweat of the brow" and therefore undeserving of full copyright protection under *Feist Publications v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 353-54, 111 S.Ct. 1282, 1291-92, 113 L.Ed.2d 358 (1991). The Ninth Circuit laid that suggestion to rest when it held that similar raw videotapes involved sufficient creativity and intellectual input to merit copyright protection as "original works of authorship." *Los Angeles News Service v. Tullo*, 973 F.2d 791, 793 (9th Cir.1992).

10. The Court has previously found in weighing the factors that determine whether the infringements were a "fair use" that the works were factual in nature and published before the infringements. Indeed, the evidence

in this case indicates that the works were so widely published that every person in America could have seen them on one of the three networks that obtained licenses from Plaintiff in the 48 hours following their creation – a fact that minimizes their ensuing value.

11. The nature and value of the copyrighted works must be considered separately with respect to each of the works. *"Beating of Reginald Denny"* plainly enjoyed a greater and more enduring demand than *"Beating of Man in White Panel Truck."* Because of the creative input by the Turs, the latter was sought after by NBC, even when NBC had its own live videotape of the same incident. *See* Findings of Fact No. 14.

12. The Turs' creation of such works is of great public benefit and should be encouraged. To encourage the creation of such original works, the Turs must be allowed to profit from them, without the concern that expediency, exigent circumstances or the very nature of the fast-breaking news-gathering business will deprive them of potential profits from those works. Statutory damages are designed to fulfill this goal of the Copyright Act, and are particularly necessary to deter what may be at most careless infringement by major news-disseminating organizations whose business it is to supply audio-visual news material worldwide for a fee.

13. Therefore, the Court concludes that with respect to *"Beating of Reginald Denny,"* LANS is entitled to an award of statutory damages for each infringement of $20,000.

14. With respect to *"Beating of Man in White Panel Truck,"* LANS is entitled to an award of statutory damages for each infringement of $10,000.

15. At the outset of the trial, the parties stipulated that there were two copyrighted works at issue, and that each was infringed once. Each side submitted proposed Findings of Fact and Conclusions of Law that calculated statutory damages on the basis of four infringements. *See also* Trial Brief by Defendants dated September 23, 1996 at 20/1-5.

16. It was not until closing argument, in an attempt to minimize the total award of statutory damages, that Defendants suggested that statutory damages should be calculated with respect to one work, because the two works were taken from one continuous tape, or that Visnews and EBU were liable jointly and severally for each of the infringements, and thus the number of infringements subject to an award of statutory damages should be one. The Court finds that Defendants waived these arguments by failing to raise them before the time of closing argument.

17. In any event, with respect to the "continuous tape" argument, the United States Copyright Office issued Certificates of Registration with respect to each separate work at issue. Exs. 2 and 3. This creates a *prima facie* presumption both as to the validity and copyrightability of each of the works. *See Nimmer* § 12.11[3] at 12-163, 171-74. Defendants have not rebutted that presumption.

18. Moreover, even if the issue of joint and several liability had not been waived, it does not appear that the

argument, if successful, would have absolved Visnews of liability for two infringements. While it may be that Visnews and EBU are jointly and severally liable for the second videotape, Visnews is individually liable for the making of the first videotape. Therefore, Visnews would appear to be liable for two separate acts of infringement: first, its own; and, second, the act by EBU to which it contributed. EBU, however, would not be jointly and severally liable for the Visnews independent act of infringement. It would therefore appear that the plain language of Section 505 would not limit the number of infringements subject to the statutory damages award to one.

19. Therefore, Plaintiffs are entitled to a statutory damage award pursuant to 17 U.S.C. § 504(c)(1) in the amounts of $40,000.00 for the two infringements of the *"Beating of Reginald Denny"* and $20,000.00 for the two infringements of *"Beating of Man in White Panel Truck"*; a total award of $60,000.00.

20. The Court reserves ruling on the question of which party, if any, is the prevailing party under 17 U.S.C. § 505 and thus does not award attorney's fees and costs at this time. Each party is to file an initial brief on that issue, together with a proposed judgment in this matter, on or before October 14, 1996. Responsive briefs are to be filed on or before October 21, 1996. The Court will deem the matter submitted without the necessity for oral argument, unless it notifies the parties otherwise.

IT IS SO ORDERED.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES NEWS SERVICE, Plaintiff, vs. REUTERS TELEVISION INTERNATIONAL, LIMITED; VISNEWS INTERNATIONAL (USA), LIMITED; REUTERS AMERICA HOLDINGS, INC.; REUTERS AMERICA, INC., Defendants.	CASE NO. CV-95-1073 KMW (Ex) ORDER RE ATTORNEYS FEES AND COSTS [Entered Nov. 19, 1996]

This matter came on regularly for trial on September 24, 1996, for the question of statutory damages for infringement of two copyrighted works owned by plaintiff. The Court issued its Findings of Fact and Conclusions of Law on October 4, 1996, awarding statutory damages to the plaintiff in the amount of $60,000. The Court reserved ruling on the question of which party, if any, is the prevailing party, requesting that the parties submit further briefing on that issue. The parties have now fully briefed the issue and the matter is once more before the Court. The Court has carefully read and reviewed all the material filed by the parties in connection with this matter and has determined that oral argument may be dispensed with pursuant to Local Rule 7.11.

Based upon all briefs, exhibits, declarations, and other evidence submitted by the parties, as well as all files and records in this case, the Court hereby denies each party's request for attorneys' fees and costs pursuant to 17 U.S.C. § 505, ruling that each party shall bear its own costs and attorneys' fees in this action.

DISCUSSION

The Copyright Act provides for an award of costs and attorneys' fees at 17 U.S.C. § 505:

> In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505. "[D]istrict courts may freely award fees, as long as they treat prevailing plaintiffs and prevailing defendants alike and seek to promote the Copyright Act's objectives." *Historical Research v. Cabral*, 80 F.3d 377, 378 (9th Cir. 1996). The Supreme Court has stated "[t]here is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised in light of the considerations we have identified." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 1033 (1994) (quotations and citations omitted). Some of the non-exclusive factors to be considered include: the degree of success achieved on the claim, frivolousness, motivation, objective unreasonableness, and the need to advance considerations of compensation and deterrence. *Jackson v. Axton*, 25 F.3d 884, 890 (9th Cir. 1994) (citing *Fogerty*,

supra). Of these factors, faithfulness to the purposes of the Copyright Act is "the pivotal criterion." *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 557 (9th Cir. 1996).

Each party here maintains that it is the prevailing party in this action, and, as such, should be awarded its reasonable attorneys' fees. The Court finds that both parties prevailed on significant issues in the case and thus neither can be viewed to be *the* prevailing party. Plaintiff ultimately succeeded in obtaining a judgment for a significant award of statutory damages for copyright infringement against defendants. Defendants, however, succeeded in eliminating substantial elements of Los Angeles News Service's ("LANS") case by prevailing on their motion for summary judgment in which it was determined, *inter alia*, that defendants were not liable under American copyright law for damages that arose as a result of the extraterritorial infringements claimed by plaintiff. Defendants also significantly narrowed the scope of the case and precluded LANS from seeking and recovering actual damages by virtue of the summary judgment motion.

The conclusion that neither party significantly prevailed over the other is further bolstered by the Court's Findings of Fact and Conclusions of Law dated October 4, 1996. The Court found that plaintiff failed to sustain its burden of proving that the infringement was committed willfully, Conclusions of Law ¶ 5, and that defendants failed to sustain their burden of proving that Visnews International (USA), Ltd. ("Visnews") and/or European Broadcast Union ("EBU") were not aware and had no reason to believe that their acts constituted an infringement of copyright. Conclusions of Law ¶ 6.

Given the relative achievements of both plaintiff and defendants in this case,[1] it would be contrary to the policies of the Copyright Act to award attorneys' fees to either party. As the United States Supreme Court stated in *Fogerty*, "[d]efendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement." *Fogerty, supra*, at 1029. In this case, the award of statutory damages has already advanced the goals of compensation and deterrence. Here, to award attorneys' fees and costs to one party over the other would not further serve the interests of the Copyright Act.

CONCLUSION

The Court has found that neither party can be said to be the prevailing party entitled to an award of attorneys' fees under the Copyright Act. It therefore need not consider the equitable factors in determining whether fees should be awarded to the prevailing party. Further, after weighing all the factors presented by the parties, the Court finds that the interests of the Copyright Act would not be advanced by an award of costs. It therefore orders that each party shall bear its own costs and attorneys' fees.

---

[1] The Court notes that the statutory damage award was almost midway between plaintiff's and defendants' last demand and offer. Therefore, to the extent it is appropriate to consider the parties' settlement posture immediately before trial, the Court finds it inconclusive on the question of which party prevailed.

IT IS SO ORDERED.

DATED: November 15, 1996

/s/ Kim McLane Wardlaw
KIM McLANE WARDLAW
United States
District Judge

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES NEWS SERVICE, Plaintiff, vs. REUTERS TELEVISION INTERNATIONAL, LIMITED; VISNEWS INTERNATIONAL (USA), LIMITED; REUTERS AMERICA HOLDINGS, INC.; REUTERS AMERICA, INC., Defendants.	CASE NO. CV-95-1073 KMW (Ex) JUDGMENT [Entered Nov. 19, 1996]

This matter came on regularly for trial by the Court on September 24, 1996 on the issue of statutory damages, with Plaintiff Los Angeles News Service represented by and through William A. Bergen, and Defendants Reuters Television International Ltd., Visnews International (USA), Ltd., Reuters America Holdings, Inc. and Reuters America, Inc. represented by and through their attorneys Louis P. Petrich and Robert S. Gutierrez of Leopold, Petrich & Smith, A Professional Corporation, and Patricia Duncan.

The Court having heard the testimony of sworn witnesses and the arguments of counsel, and evidence having been received, the Court issued its Finding of Facts and Conclusions of Law on October 4, 1996. The Court

having found in its July 23, 1996 Order granting defendants partial summary judgment that defendant Visnews infringed plaintiff's copyright in the videotape of "Beating of Reginald Denny" and "Beating of Man in White Panel Truck" by making a videotape copy of these works, and that Visnews was contributorily liable for the videotape copy of the same works made by European Broadcast Union, the Court finds that plaintiff did not prove willful infringement and that defendants did not prove innocent infringement. The Court hereby awards plaintiff statutory damages pursuant to 17 U.S.C. § 504(c)(1) in the amounts of $40,000 for the two infringements of "Beating of Reginald Denny," and $20,000 for the two infringements of "Beating of Man in White Panel Truck," for a total statutory damages award of $60,000.

The Court having requested each party to brief the issue of which party, if any, is the prevailing party under 17 U.S.C. § 505, and having read and considered the briefs on this issue, the Court finds that both parties prevailed in this matter, and thus neither is *the* prevailing party within the meaning of 17 U.S.C. § 505.

THEREFORE, IT IS ADJUDGED, ORDERED AND DECREED that plaintiff Los Angeles News Service have judgment entered in its favor against Defendants Reuters Television International, Ltd., Visnews International (USA), Ltd., Reuters America Holdings, Inc. and Reuters America, Inc. in the amount of Sixty Thousand Dollars ($60,000) and that each side shall bear its own costs and attorneys' fees.

DATED: November 15, 1996

/s/ Kim McLane Wardlaw
KIM McLANE WARDLAW
United States
District Judge

LOUIS P. PETRICH
ROBERT S. GUTIERREZ
LEOPOLD, PETRICH & SMITH
A Professional Corporation
2049 Century Park East, Suite 3110
Los Angeles, California 90067-3274
(310) 277-3333

Attorneys for Defendants
REUTERS TELEVISION INTERNATIONAL LTD., VISNEWS INTERNATIONAL (USA), LTD., REUTERS AMERICA HOLDINGS, INC. and REUTERS AMERICA, INC.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

LOS ANGELES NEWS SERVICE, Plaintiff, vs. REUTERS TELEVISION INTERNATIONAL, LIMITED; VISNEWS INTERNATIONAL (USA), LIMITED; REUTERS AMERICA HOLDINGS, INC.; REUTERS AMERICA, INC., Defendants.	CASE NO. 95-1073 KMW (Ex) DECLARATION OF JEREMY SMITH IN SUPPORT OF DEFENDANTS' MOTION FOR SUMMARY JUDGMENT DATE: June 24, 1996 TIME: 10:00 a.m. CTRM: U.S. District Judge Kim McLane Wardlaw

DECLARATION OF JEREMY SMITH

I, JEREMY SMITH, declare:

1. I am a Senior Editor for Reuters Television Ltd. If called as a witness in this matter, I could and would competently testify under oath to the following facts of which I have personal knowledge.

2. In 1992, I was employed by Reuters Television Ltd., and assigned to represent Reuters as the New York editor for Visnews International, a joint venture among Reuters, the British Broadcasting Company, and NBC.

3. On April 30, 1992, Visnews and NBC News Overseas, Inc. ("NBC Overseas") were parties to a television news supply agreement under which NBC Overseas agreed to supply to Visnews and license Visnews to use, among other things, news materials, including NBC news programs cleared for telecast or actually telecast via broadcast television.

4. As the *Today Show* was being fed to NBC's affiliates and broadcast over its network on the morning of April 30, 1992, footage of the April 29, 1992 beatings at the intersection of Florence and Normandie in Los Angeles was automatically transmitted via fiber link from NBC's control room in New York to Visnews' New York office, where Visnews made a videotape copy of the footage as broadcast on NBC's *Today Show*. Visnews was authorized to make this copy pursuant to its pre-existing contractual arrangement with NBC. The segment that Visnews copied included some of the LANS footage from the tape NBC had previously dubbed at KCOP (the "Footage").

5. That same morning (April 30, 1992), Visnews transmitted the Footage via fiber link to the New York City office of the European Broadcast Union ("EBU"), a collection of broadcasters in Europe and other areas outside of the United States.

6. That same morning, EBU in New York made a videotape copy of the Footage and transmitted the Footage by satellite to the London headquarters of Reuters and to EBU's headquarters in Europe. EBU in Europe transmitted the Footage by satellite to broadcasters in Europe, the Middle East and northern Africa via EBU's Eurovision Service. Visnews was a member of EBU on April 30, 1992.

7. Later that same day, the Footage was transmitted to Visnews' subscribers in North America as part of Visnews' regularly scheduled transmission to that region. However, pursuant to Visnews' agreement with NBC, which prohibited the use of NBC news material in North America by Visnews Subscribers, the Footage was accompanied by standard Visnews exclusionary language.

8. Except as previously stated, at no time was the Footage transmitted to any broadcaster or any other entity in the United States; nor did Visnews broadcast or distribute in any manner the Footage in the United States.

9. In connection with my responsibilities in April of 1992, I was personally aware of the manner in which Reuters Television marketed and sold television news feeds.

10. At no time did Reuters Television sell television news feeds on a daily or story-by-story basis. All Reuters

Television subscribers executed a standard agreement under which, for a fixed annual sum, they received access to specified news feeds. This fee did not vary with the amount of footage used by the subscriber. To the best of my knowledge, all Reuters Television subscriber contracts were for 3, 5 or 10-year terms.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 3rd day of June, 1996, in London, England.

/s/ Jeremy Smith
Jeremy Smith

PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action; my business address is: 2049 Century Park East, Suite 3110, Los Angeles, California 90067.

On June 3, 1996, I served the foregoing document described as **DECLARATION OF JEREMY SMITH IN SUPPORT OF DEFENDANTS' MOTION FOR SUMMARY JUDGMENT** on the interested parties in this action by placing a true copy enclosed in a sealed envelope addressed as follows:

WILLIAM A. BERGEN
LAW OFFICES OF WILLIAM A. BERGEN
1133 High Street, Suite D
Auburn, California 95603-5153

(BY MAIL) I caused such envelope with postage fully prepaid to be placed in the United States mail at Los Angeles, California. I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. It is deposited with U.S. postal service on that same day in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

Executed on June 3, 1996, at Los Angeles, California.

XX (BY PERSONAL SERVICE) I caused such envelope to be delivered by hand to the offices of the addressee.

Executed on June 3, 1996, at Los Angeles, California.

(State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

XX (Federal) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Connie Baillie
Type or Print Name

/s/ Connie Baillie
Signature

CLYDE & CO.
AN INTERNATIONAL LAW FIRM

[Address And Names Omitted In Printing]

Reuters Television International Limited
85 Fleet Street
London
EC4P 4AJ

Attn The company Secretary

Our ref.	Your ref.	Date
JTW/9801668		6 August 1998

Dear Sir

Robert Tur & Marika Tur (trading as Los Angeles News Service) v. Reuters Television International Limited

We are instructed on behalf of Robert and Marika Tur trading as Los Angeles News Service in connection with alleged infringement of their copyright in films and associated sound recordings of events which took place during riots in Los Angeles, California, United States of America on or about 29 April 1992 entitled "Beating of Reginald Denny" and "Beating of man in white panel truck".

We enclose herewith by way of service Writ of Summons together with Acknowledgment of Service receipt of which kindly acknowledge.

Yours truly

/s/ Illegible
CLYDE & CO

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

CH 1998 T No. 2428

BETWEEN:

[LOGO]

(1) ROBERT TUR
(2) MARIKA TUR
(TRADING AS "LOS ANGELES NEWS SERVICE")
Plaintiffs

-AND-

(1) REUTERS TELEVISION INTERNATIONAL LIMITED
(2) EUROPEAN BROADCASTING UNION
Defendants

[SEAL]

To the Defendant (1) Reuters Television International Limited whose registered office is at 85 Fleet Street, London EC4P 4AJ and (2) European Broadcasting Union whose principal place of business is L'Ancienne – Route 17c, 1218 Grand – Saconnex, Le Geneva, Switzerland.

This Writ of Summons has been issued against you by the above-named Plaintiff in respect of the claim set out on the back.

Within 14 days after the service of this Writ on you, counting the day of service, you must either satisfy the claim or return to the Court Office mentioned below the accompanying **Acknowledgment of Service** stating therein whether you intend to contest these proceedings.

If you fail to satisfy the claim or to return the Acknowledgment within the time stated, or if you return the

Acknowledgment without stating therein an intention to contest the proceedings, the Plaintiff may proceed with the action and judgment may be entered against you forthwith without further notice.

Issued from the Chancery Chambers of the High Court this 28th day of April 1998.

NOTE:- This writ may not be served later than 4 calendar months (or, if leave is required to effect service out of the jurisdiction, 6 months) beginning with that date unless renewed by order of the Court.

IMPORTANT

Directions for Acknowledgment of Service are given with the accompanying form.

The Plaintiffs' claim against the First and Second Defendants and each of them is for:

(1) A declaration that the Plaintiffs are the owners of the copyrights in the films and associated sound recordings of events which took place during riots in Los Angeles, California, United States of America on or about 29th April 1992 entitled "Beating of Reginald Denny" and "Beating of Man in White Panel Truck" ("the Plaintiffs' works").

(2) An injunction to restrain the Defendants and each of them (whether by their respective officers, servants or agents or any of them or otherwise howsoever) from doing the following acts or any of them that is to say infringing the Plaintiffs' copyrights in the Plaintiffs' works or any of them by without the licence of the Plaintiffs:

(a) copying or broadcasting or including in a cable programme service all or any of the Plaintiffs' works or any substantial part thereof

(b) authorising any of the acts aforesaid

(c) possessing in the course of a business copies which are and which they know or have reason to believe to be infringing copies of all or any of the Plaintiffs' works or any substantial part thereof

(d) otherwise infringing all or any of those copyrights

(3) An inquiry as to damages (including additional statutory damages under section 97(2) of the Copyright, Designs and Patents Act 1988) for infringement of copyright in the Plaintiffs' works on or about 29 April 1992 and thereafter, or, at the Plaintiffs' option, an account of profits, and an order for the payment of all sums found due upon making such inquiry or taking such account

(4) Interest pursuant to section 35A of the Supreme Court Act 1981 on all sums and damages claimed above at such rate and for such period as to this Honourable Court may seem just, to be assessed.

(5) An Order for delivery up and forfeiture to the Plaintiffs of all infringing copies of the Plaintiffs' works in the possession custody or control of the Defendants or either of them and of all and any articles in the possession custody or control of the Defendants or either of them specifically designed or adapted for making copies of all or any of the Plaintiffs' works, together with an order that all infringing copies or articles so delivered up be destroyed or otherwise dealt with as this Honourable Court shall think fit.

(6) Such further or other relief as may be just or apposite.

RICHARD SPEARMAN QC

This Court has power under and by virtue of the Civil Jurisdiction and Judgments Act 1982 to hear and determine the claim made in this Writ and no proceedings involving the same cause of action are pending between the parties in Scotland, Northern Ireland or another Convention territory of any contracting State as defined in Section 1(3) of that Act.

Dated the 28th day of April 1998.

/s/ Clyde & Co.
Solicitors for the Plaintiff

This Writ was issued by Clyde & Co of Beaufort House, Chertsey Street, Guildford, Surrey GUI 4HA, Solicitors for the said Plaintiffs who reside at 2828 Donald Douglas Loop North, Hangar 8, Santa Monica, California 90405.

Ref: CJB/JTW/9801668
Tel: 01483 555555

Relevant Provision of U.S. Constitution

Article I, Section 8, clause 8, of the U.S. Constitution:

> "The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Relevant Sections of United States Copyright Act of 1909 (Repealed)

§ 1(e) Exclusive rights as to copyrighted works.

Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:

. . . .

> (e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced;

. . . .

In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand . . . the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount.

§ 101(e) Infringement.

If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable:

. . .

(e) **Interchangeable parts for use in mechanical music-producing machines.** Interchangeable parts, such as discs or tapes for use in mechanical music-producing machines adapted to reproduce copyrighted musical works, shall be considered copies of the copyrighted musical works which they serve to reproduce mechanically for the purposes of this section 101 and sections 106 and 109 of this title, and the unauthorized manufacture, use, or sale of such interchangeable parts shall constitute an infringement of the copyrighted work rendering the infringer liable in accordance with all provisions of this title dealing with infringements of copyright. . . .

Relevant Sections of United States Copyright Act of 1976 (As Amended)

17 U.S.C. §§ 106, 107, 504, 505

§ 106 Exclusive rights in copyrighted works

Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

§ 203 Termination of transfers and licenses granted by the author

. . . (b) . . .

(5) Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

§ 304 Duration of copyright: Subsisting copyrights

. . . (c)(6) . . .

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way

affects rights arising under any other Federal, State, or foreign laws.

§ 504 Remedies for infringement: Damages and profits

(a) *In general.* – Except as otherwise provided by this title, an infringer of copyright is liable for either –

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).

(b) *Actual damages and profits.* – The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

(c) *Statutory damages.* –

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $500 or more than $20,000 as the court considers just. For the purposes of

this subsection, all the parts of a compilation or derivative work constitute one work.

(2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $100,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200. The court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107, if the infringer was: (i) an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in subsection (g) of section 118) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work.

§ 505 Remedies for infringement: Costs and attorney's fees

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

§ 602 Infringing importation of copies or phonorecords

(a) Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501. This subsection does not apply to –

> (1) importation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;
>
> (2) importation, for the private use of the importer and not for distribution, by any persons with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

(3) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2).

(b) In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, the United States Customs Service has no authority to prevent their importation unless the provisions of section 601 are applicable. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by the Customs Service of the importation of articles that appear to be copies or phonorecords of the work.

Supreme Court, U.S.
FILED
JAN 19 1999
CLERK

No. 98-851

IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

REUTERS TELEVISION INTERNATIONAL, LIMITED; VISNEWS INTERNATIONAL (USA), LIMITED; REUTERS AMERICA HOLDINGS, INC.; REUTERS AMERICA, INC.,

Petitioners,

vs.

LOS ANGELES NEWS SERVICE,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

WILLIAM A. BERGEN
Counsel of Record
LAW OFFICES OF
WILLIAM A. BERGEN
Attorney for Respondent
2660 Wilder Sparling Lane
Unit B
Auburn, CA 95603
(530) 823-2949

150834

Counsel Press LLC
FORMERLY LUTZ APPELLATE SERVICES
(800) 274-3321 • (800) 359-6859

3588

QUESTIONS PRESENTED

1. Whether the decision of the Court of Appeals reported at 149 F.3d 987 (9th Cir. 1998) reversing the district court's granting of partial summary judgment on behalf of Petitioners Reuters Television International, Limited; Visnews International (USA), Limited; Reuters America Holdings, Inc.; Reuters America, Inc., which excluded all damage claims against Petitioners for their unauthorized uses overseas of Respondent news organization's copyrighted video taken during the 1992 Los Angeles Riots, entitled "Beating of Reginald Denny" and "Beating of Man in White Panel Truck," is a reasonable application of United States copyright law when it was based upon, and required, direct and completed infringements within the United States for the purpose of enabling Petitioners' unauthorized and intended satellite transmissions from New York to the Petitioners' international subscribers and only allow the copyright holder to obtain all damages flowing from the domestic act of infringement so as to protect the copyright holder and to encourage intellectual creativity on behalf of the public;

2. Whether the decision of Court of Appeals affirming the trial court's ruling that Petitioners were liable as contributory infringers due to their instruction to the European Broadcasting Union to copy respondent's copyrighted videos to enable the E. B.U. to make a satellite transmission to Europe on behalf of Petitioners to their subscribers around the world was properly affirmed as finding no clear error of the trial court's ruling that Petitioners had waived any defense to the claim of contributory infringement at trial.

PARTIES TO THE PROCEEDING AND DESIGNATION OF CORPORATE RELATIONSHIPS

Petitioners Reuters Television International, Limited; Visnews International (USA), Limited; Reuters America Holdings, Inc.; Reuters America, Inc., were the appellees and cross-appellants in the Court of Appeals and the defendants in the District Court. Respondent Los Angeles News Service was the appellant and cross-appellee in the Court of Appeals and the plaintiff in the District Court.

Respondent Los Angeles News Service is a sole proprietorship owned by Robert and Marika Tur and not related to any corporations.

TABLE OF CONTENTS

	Page
Questions Presented	i
Parties to the Proceeding and Designation of Corporate Relationships	ii
Table of Contents	iii
Table of Cited Authorities	v
Concise Statement of the Case	1
A. Introduction	1
B. Concise Statement of Facts	2
1. The Parties.	3
2. LANS Created the Copyrighted Videos During the Los Angeles Riots and REUTERS Infringed By Making Unauthorized Duplicates to Enable REUTERS to Transmit the Videos to Their Subscribers	4
Reasons for Denying the Writ	5
I. Summary Of Argument	5
II. The Decision Is Not In Conflict With Any Previous Decision Of This Court	5

Contents

Page

III. The Case Does Not Set A Precedent Of Exceptional Importance 8

IV. The Decision Is Not In Conflict With Any Existing Opinion Of Another Court Of Appeals Of National Application Which Requires National Uniformity 15

V. REUTERS' Defense To A Finding Of Contributory Infringement Was Waived In The Trial Court And Was Not Properly Raised Below 15

VI. There Is No Need To Distinguish In This Case Between A Direct Infringer And A Contributory Infringer 16

Conclusion 18

TABLE OF CITED AUTHORITIES

Page

Cases:

Equal Employment Opportunity Commission v. Arabian American Oil Company, 499 U.S. 244 (1991) 6

Famous Music Corporation v. Seeco Records, Inc., 201 F. Supp. 560 (S.D. N.Y. 1961) 11, 13, 14

Foley Brothers, Inc. v. Filardo, 336 U.S. 281 (1949) . 6

Peter Starr Prod. Co. v. Twin Continental Films, Inc., 783 F.3d 1440 (9th Cir. 1986) 9

Sheldon v. Metro-Goldwyn Pictures Corporation, 106 F.2d 45 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940) 8, 10, 13, 14, 15

Sony Corporation of America v. Universal City Studios, Inc., 464 U.S. 417 (1984) 17

Subafilms, Ltd. v. MGM-Pathe Communications, 24 F.3d 1088 (9th Cir. 1994) 8, 9, 10, 11, 18

Update Art, Inc. v. Modiin Pub. Ltd., 843 F.2d 67 (2nd Cir. 1988) 11

Statute:

17 U.S.C. § 106 14

CONCISE STATEMENT OF THE CASE

A. Introduction

The present action is a copyright infringement case in which Respondent Los Angeles News Service (hereinafter "LANS"), an Emmy winning independent and accredited news organization operating as a sole proprietorship owned by Robert and Marika Tur, sued Petitioners REUTERS TELEVISION INTERNATIONAL, LIMITED; VISNEWS INTERNATIONAL (USA), LIMITED; REUTERS AMERICA HOLDINGS, INC.; REUTERS AMERICA, INC., (hereinafter "REUTERS"), a group of affiliated electronic news agencies which provide video and film to their subscribers for the subscribers' use in television and other news media throughout the world. LANS sued REUTERS for their unauthorized copying, and dissemination of LANS' copyrighted videos taken during the 1992 Los Angeles Riots, entitled "Beating of Reginald Denny" and "Beating of Man in White Panel Truck," which were copied by REUTERS in the United States to effectuate REUTERS' unauthorized and intended satellite transmissions from New York to REUTERS' international subscribers.

The United States District Court granted partial summary judgment in favor of REUTERS to exclude damages overseas, extraterritorial damages, caused by the domestic infringement which enabled REUTERS to duplicate Respondent's videos by satellite transmission to REUTERS subscribers around the world. The action was then tried to the court which found in favor of Respondent LANS that it suffered four domestic infringements to its copyrighted works by REUTERS, two direct infringements and two infringements by the REUTERS' agents, the European Broadcasting Union, for which it was contributorily liable, when these entities made videocassette

copies of the copyrighted works to enable REUTERS to make satellite transmissions of the works to the REUTERS subscribers around the world. The court awarded $60,000 in statutory damages for the domestic infringements since LANS could not prove actual damages for the domestic infringements and "extraterritorial" damages were excluded. The trial court found that REUTERS had waived any defenses to the finding of contributory infringement since the REUTERS defendants did not raise the issue during trial until the closing arguments and had submitted proposed findings of fact and conclusions of law calculating statutory damages based upon four domestic infringements.

Pertinent here, LANS appealed from the ruling on partial summary judgment barring extraterritorial damages while REUTERS appealed the trial court's finding there was no "fair use" and the damage award which made it contributorily liable for the two domestic infringements of their agent, the European Broadcast Union, and the amount of the statutory award.

The Court of Appeals in its published decision of July 13, 1998, as amended on denial of rehearing and suggestion for rehearing *en banc* on August 25, 1998, reversed in part and affirmed in part. It reversed the ruling barring LANS' claim for extraterritorial damages which flow directly from the domestic infringements and affirmed the trial court's findings barring the "fair use" defense and the waiver by REUTERS of any defense to their contributory infringement for the copies made by their agent, the European Broadcast Union.

B. Concise Statement of Facts

Respondent wishes to point out to this Court that it believes the Petitioners set forth disputed facts as well as unsupported assertions of fact, while omitting important facts necessary for

the Court's determination whether the appellate court reasonably applied United States copyright law to their analysis of the domestic infringements by Petitioners and the claim for damages by Respondent which flowed directly from the domestic infringements. Additionally, more detail is needed to analyze the appellate court's refusal to overturn the trial court's finding that the REUTERS defendants were contributorily liable for the domestic infringements made at REUTERS' request to enable REUTERS to transmit LANS' videos to REUTERS' subscribers worldwide. Respondent now sets forth these facts more fully with support from the record.

"CR" references are to the District Court record docket number; "ER" references are to the Excerpts of Record filed in the appeal.

1. *The Parties.*

Los Angeles News Services ("LANS"), is an Emmy Award winning, family-owned accredited news organization which since 1979, has covered news events with videotape, film and still photography. "Los Angeles News Service" is a fictitious business name used by Bob and Marika Tur, husband and wife.

REUTERS TELEVISION INTERNATIONAL, LIMITED; VISNEWS INTERNATIONAL (USA), LIMITED; REUTERS AMERICA HOLDINGS, INC.; REUTERS AMERICA, INC., (hereinafter "REUTERS"), are a group of affiliated news services which, for a fee, provide news stories and video to television and other news media, throughout the world. [CR 96, ER 473].

2. *LANS Created the Copyrighted Videos During the Los Angeles Riots and REUTERS Infringed By Making Unauthorized Duplicates to Enable REUTERS to Transmit the Videos to Their Subscribers*

On April 29, 1992, LANS, owned by Bob Tur and his wife Marika, provided live video, shot by Marika, and audio coverage, narrated by Bob, reduced to videotape, of the Los Angeles Riots from the vantage point of their helicopter hovering over the intersection of Florence and Normandie, the heart of the riots. LANS videotaped two copyrighted works, "The Beating of Reginald Denny" and "Beating of Man in White Panel Truck." LANS gave a restricted license for National Broadcasting Company to show the works on its network only. [96, ER 473-476].

The present action arose the next day, April 30, 1992, when REUTERS received a LANS prohibited electronic transmission from the National Broadcasting Company to REUTERS of the two copyrighted LANS videos of incidents during the Los Angeles Riots of 1992: "Beating of Reginald Denny" and "Beating of Man in White Panel Truck." [CR 96, ER 473, 478]. REUTERS' offices in New York City received the transmission via fiber optic cable. REUTERS then made a cassette copy of the videos without LANS' permission which it used to electronically transmit the videos by fiberlink to their agent in New York, the European Broadcasting Union, which in turn made another cassette copy which it used to transmit the videos by satellite to the main REUTERS offices in London, England, where REUTERS re-transmitted the videos to its subscribers throughout the world. REUTERS transmitted the videos by satellite to its subscribers in Europe and Africa on its early morning feed, and then to Japan, Latin America, and Asia, all on April 30, 1992. [CR 45, 80, 96, ER 266, 395, 397, 478-479].

REASONS FOR DENYING THE WRIT

I.

SUMMARY OF ARGUMENT

In this copyright action, there is no conflict of decisions between the circuits (only the Second and Ninth Circuits have ruled on the present issue) or involving a question of exceptional importance. The present decision does not conflict with any other decisions of this Court on the application of damages to copyright infringements, nor is this decision one of such exceptional importance, either extending or limiting damages, to warrant the granting of the petition.

Moreover, the Petitioners are in error when they argue the appellate court applied United States copyright law extraterritorially. Instead, an examination of the opinion shows the appellate court carefully examined all relevant domestic factors and followed a line of cases from the Second Circuit for the past 60 years, beginning with an opinion by Judge Learned Hand. The court explicitly limited its decision to the recovery of "damages flowing from exploitation abroad of the domestic acts of infringement committed by defendants [REUTERS]." (App. at 9).

II.

THE DECISION IS NOT IN CONFLICT WITH ANY PREVIOUS DECISION OF THIS COURT

In the present case, the appellate court held that the copyright holder may recover all damages which flow from a direct copyright infringement within the United States. (App. at 9). This decision comports with other United States Supreme

Court decisions regarding the presumption of Congress for being concerned with domestic conditions. *Equal Employment Opportunity Commission v. Arabian American Oil Company*, 499 U.S. 244, at 248, (1991) (quoting *Foley Brothers, Inc. v. Filardo*, 336 U.S. 281, at 285 (1949)).

In the decision before this Court, the holding applies only when there is a completed domestic infringement which then enables further damages flowing directly from the domestic infringement. Since the holding applies only where there is a completed domestic infringement within United States, the holding only allows for the recovery of all damages which flowed from that domestic infringement. Where the damages were suffered is actually irrelevant. What is determinative is where the direct infringement occurred which started the direct causal link. Damages can flow from that domestic infringement which take place beyond the borders.

Since the court required the enabling infringement to be within the United States, the holding merely allows for a complete recovery of all damages which flow from that infringement, no matter where the damages occur, thereby offering the full protection of the Copyright Act as intended for the copyright holder. The opinion applies the Copyright Act to the actions which occurred within United States which caused the damage. There is no extraterritorial enforcement of the Copyright Act, it is a domestic application.

Nowhere in the subject decision, nor in any claim within the particular facts of this case, is it claimed that Los Angeles News Service sought to sue each and every individual subscriber of REUTERS around the world. No, in fact, Los Angeles News Service only would be awarded damages against the perpetrators of the infringements within United States which caused damages throughout the world.

We should note that there is no clash of laws between nations under the decision of the appellate court. The decision merely allows the copyright owner to secure all damages which flow from the direct infringement within the territorial boundaries of United States. Applying the holding of the Court of Appeal below, it is unnecessary to litigate throughout the world, or to claim copyright infringement for each individual user throughout the world. The copyright holder can simply sue the original wrongdoer for all damages which flowed from the original completed infringement within territorial boundaries of United States. This is in keeping with the decisions of the Supreme Court in interpretation of Congressional intent to avoid conflict in the application of United States law and that of other nations.

With the present decision, there is no unintended clash between the laws of United States regarding copyright and those of other nations which could cause international discord. In fact, the holding prevents such an occurrence because the original infringer, infringing within United States, would be liable for all damages which flowed from the infringement. The REUTERS defendants were found liable to Los Angeles News Service for the direct infringements of the copyrighted video works. The decision allows for an economical, judicious and expedited resolution of all disputes by having it in one forum, the United States, regarding all damages which flowed from the infringement. Worldwide litigation is unnecessary to recover all damages, with the entire action litigated economically in one forum. There would be no need to allege infringements throughout the entire world which would involve a multitude of jurisdictions and a multiplicity of laws, many of which would conflict. The decision gives clear notice to an infringer that if it makes a completed infringement within the territorial boundaries of the United States which has ramifications throughout the world in its distribution, it will be exposed to

damages for that distribution. The copyright owner may sue within United States for all damages. This is an economical, judicious, and prudent way to interpret present copyright law.

III.

THE CASE DOES NOT SET A PRECEDENT OF EXCEPTIONAL IMPORTANCE

Respondent views the present decision as applying current law to the facts of this case with no precedential extension nor limitation to the application of damages to copyright law. In fact, the Court of Appeal has merely adopted the same analysis which the Second Circuit has used for the past 60 years, which this Court has previously affirmed by this Court's denial of a writ of certiorari in *Sheldon v. Metro-Goldwyn Pictures Corporation*, 106 F.2d 45 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940). A review of the history of this line of cases and its adoption by the Ninth Circuit begins below with the open question left by the Ninth Circuit in *Subafilms* to its answer in the present action.

The decision stemmed from the trial court's misapplication of the holding in *Subafilms, Ltd. v. MGM-Pathe Communications*, 24 F.3d 1088 (9th Cir. 1994), which stands for the proposition that *wholly extraterritorial* acts of infringement are not cognizable under the Copyright Act, when the trial court held that REUTERS was not liable for its admitted acts of transmission of LANS videos from the United States to its subscribers abroad. However, this scenario was not addressed in *Subafilms*, which specifically left open the question of how to deal with such domestic infringing activity which enables unauthorized uses abroad. Here, unlike *Subafilms*, the domestic infringements enabled the reproduction of the works abroad. These "predicate acts" allowed the Court of Appeal to adopt the line of reasoning used by the Second Circuit for the last 60 years.

In *Subafilms*, Subafilms and Hearst Corporation sued MGM/UA for copyright infringement for the foreign and domestic distribution of the 1966 Beatles' film, "Yellow Submarine." Overruling a portion of an earlier Ninth Circuit decision (*Peter Starr Prod. Co. v. Twin Continental Films, Inc.*, 783 F.3d 1440 (9th Cir. 1986)), the court concluded that

> there can be no liability under the United States copyright laws for *authorizing* an act that itself could not constitute infringement of rights secured by those laws, and that *wholly extraterritorial* acts of infringement are not cognizable under the Copyright Act . . .

Subafilms, Ltd. v. MGM-Pathe Communications, 24 F.3d 1088, 1090 (9th Cir. 1994) (emphasis added).

However, the court specifically declined to rule on the application of the Copyright Act if instead of merely "authorizing" an act within the United States for infringements abroad, if an actual infringement occurred within the United States which enabled the infringer to exploit the copyrighted work abroad. The Court summarized its position:

> Whatever the merits of the Second Circuit's rule, and we express no opinion on its validity in this circuit, it is premised on the theory that the copyright holder may recover damages that stem from a direct infringement of its exclusive rights that occurs within the united States. *See, Robert Stigwood*, 530 F.2d at 1101; *Sheldon v. Metro-Goldwin Pictures Corp.*, 106 F.2d 45, 52 (2nd Cir 1939) (L. Hand, J.) ("The negatives were 'records' from which the work could be 'reproduced', and it was a tort to make them in this country. The plaintiffs acquired an

> equitable interest in them as soon as they were made, which attached to any profits from their exploitation. . . ."), *aff'd*, 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940); *see also, Ahbez v. Edwin H. Morris & Co., Inc.*, 548 F. Supp. 664, 667 (S.D.N.Y. 1982); *Famous Music Corp. v. Seeco Records, Inc.* 201 F. Supp. 560, 568-69 (S.D.N.Y. 1961). In these cases, liability is not based on contributory infringement, but on the theory that the infringing use would have been actionable even if the subsequent foreign distribution that stemmed from that use never took place. *See*, e.g., *Famous Music*, 201 F.Supp. at 569 ("[T]hat a copyright has no extraterritorial effect does not solve the problem of [whether liability should attach for preparing within the United States tapes that were part of a] manufacture [completed abroad] since plaintiffs seek to hold defendant for what it did here rather than what it did abroad." (emphasis in original)). These cases, therefore, simply are inapplicable to a theory of liability based merely on the authorization of non-infringing acts.

Subafilms, Ltd. v. MGM-Pathe Communications, 24 F.3d 1088, 1094 (9th Cir. 1994).

Here, REUTERS completed the duplication (infringement) of the videos on a cassette within the United States which enabled it to make the electronic transmissions to its agent the European Broadcasting Union, and to transmit the videos by satellite from the United States to its offices abroad which re-transmitted it around the world to REUTERS subscribers. The infringements proven by LANS to be made within the United States allowed the copyrighted video works to be "reproduced abroad" causing the damage to LANS, just as Judge Learned Hand contemplated in *Sheldon* in 1939.

In the present case, the Court of Appeal examined the facts and found the REUTERS defendants' acts of domestic infringement, the copying of the video works onto videocassettes to enable them to send the works by satellite transmission to their subscribers, were enabling acts to which liability would attach, answering the question the appellate court had left open in *Subafilms*. For instance, in the referenced above *Update Art, Inc. v. Modiin Pub. Ltd.*, 843 F.2d 67 (2nd Cir. 1988), an American company sued an Israeli company for including as an insert in an Israeli newspaper an unauthorized full page full reproduction of a poster entitled "Ronbo," a poster for which Update had exclusive contract rights for worldwide publication. Concluding that Update's claim was cognizable under American copyright laws, the court stated:

> As the applicability of American copyright laws over the Israeli newspapers depends on the occurrence of a predicate act in the United States, the geographic location of the illegal reproduction is crucial. If the illegal reproduction of the poster occurred in the United States and then was exported to Israel, the magistrate properly could include damages accruing from the Israeli newspapers. If, as appellants assert, this predicate act occurred in Israel, American copyright laws would have no application to the Israeli newspapers.

Update Art, Inc. v. Modiin Pub. Ltd., 843 F.2d 67, 73 (2nd Cir. 1988).

The question of unauthorized uses of copyrighted material abroad was also considered in *Famous Music Corporation v. Seeco Records, Inc.*, 201 F. Supp. 560 (S.D. N.Y. 1961). There, musical composition copyright owners sued a record company for copyright violation. Seeco was recording the various

compositions of plaintiffs, manufacturing master recordings thereof on tapes and making and exporting copies to foreign countries as a means through which records were pressed. Defendants shipped tape recordings of renditions of plaintiffs' compositions to persons in foreign countries, which recordings were used by such persons to manufacture phonograph records. Finding a copyright violation, the court observed:

> The preparation of the tapes (which are sent to persons abroad to be used by said persons to manufacture phonograph records), which contain renditions of plaintiffs' compositions, is a violation of Section 101(e).
>
> The act of the defendant in producing the tapes of plaintiffs' compositions in the United States clearly involves defendant as a joint tort-feasor in "manufacture." (citations omitted)
>
> . . .
>
> It is plain that the act of defendant here was a part of the manufacture.
>
> . . .
>
> A holding in *Capitol Records v. Mercury Records Corporation*, 2 Cir., 1955, 221 F.2d 57, that a copyright has no extra-territorial effect, does not solve this problem of manufacture since plaintiffs seek to hold defendant for what it did here rather than what it did abroad.
>
> Accordingly, this court holds that the act of defendant in preparing the tape was a part of the

> manufacture and, consequently, an infringement for which it should respond under Section 101(e).

Famous Music Corporation v. Seeco Records, Inc., 201 F. Supp. 560, 568-569 (S.D. N.Y. 1961).

Finally, Judge Learned Hand in *Sheldon v. Metro-Goldwyn Pictures Corporation*, 106 F.2d 45 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940) considered this issue which involved a dispute over royalties due from exhibition of a motion picture. One of the issues concerned the profits made from exhibiting the picture outside the United States. The court observed that it could not say that the exhibition of the film abroad was a tort.

> However, exhibition is not the only act forbidden by the Copyright Act; Section 1(d), 17 USCA § 1(d), gives to the author the exclusive right, not only to perform a dramatic work, but "to make * * * any transcription or record thereof * * * from which, in whole or in part, it may in any manner * * * be * * * reproduced." The Culver Company made the negatives in this country, or had them made here, and shipped them abroad, where the positives were produced and exhibited. The negatives were "records" from which the work could be "reproduced," and it was a tort to make them in this country. The plaintiffs acquired an equitable interest in them as soon as they were made, which attached to any profits from their exploitation, whether in the form of money remitted to the United States, or of increase in the value of shares of foreign companies held by the defendants.

Sheldon v. Metro-Goldwyn Pictures Corporation, 106 F.2d 45, 52 (2d Cir. 1939), *aff'd*, 309 U.S. 390 (1940).

Here, LANS proved at trial that REUTERS completed the "predicate acts" within the United States. REUTERS admitted copying the unauthorized transmission it received from the National Broadcasting Company and then REUTERS itself transmitted the copyrighted works within New York and then to overseas and rebroadcast in Europe and Asia. This electronically encoded the LANS videos for later duplication, simply a more modern version of the making of a film negative in *Sheldon* or the masters in *Famous Music*, and using the United States as a base, used a satellite transmission to Europe, Asia, North America to reproduce and copy the videos in Europe. Absent these predicate acts, LANS would not have suffered the damage to its copyrights here and abroad.

The unauthorized duplication of LANS' copyrighted videos is an infringement. 17 U.S.C. § 106. The REUTERS duplications if allowed would destroy LANS' market for the videos abroad, a self-evident proposition since REUTERS supplied the market without authorization of LANS.

The decision below adopts the Second Circuit's reasoning, by limiting the claim of damages to that which flowed from the domestic act of infringement. This is not, as is argued by petitioners, an exception to the territoriality rule. It is simply a reasonable application of damages for the domestic act of infringement which enabled unauthorized usages beyond the border.

IV.

THE DECISION IS NOT IN CONFLICT WITH ANY EXISTING OPINION OF ANOTHER COURT OF APPEALS OF NATIONAL APPLICATION WHICH REQUIRES NATIONAL UNIFORMITY

While the Copyright Act is applied nationally, there is no conflict of decisions in any circuit regarding the application of damages which flow from a completed act of infringement within the United States.

The court did not utilize decisional law from other jurisdictions which was in conflict, but only Second Circuit opinions, starting with *Sheldon*, *supra*, which are in accord, since there really is no conflict between the circuits. It applied present law about which there is no conflict in reaching its decision. There is no need for the Supreme Court to resolve any conflict either within the circuit or in other circuits.

V.

REUTERS' DEFENSE TO A FINDING OF CONTRIBUTORY INFRINGEMENT WAS WAIVED IN THE TRIAL COURT AND WAS NOT PROPERLY RAISED BELOW

Finally, Petitioners argue that the Court of Appeal did not address their claim that they should not be held contributorily liable for the usages of their agent, the European Broadcasting Union or, by implication, their subscribers.

It should be noted that the Court of Appeal decision does not, despite Petitioners' complaints, apply to the individuals who utilized Respondent's videos overseas and thereby allow

direct prosecution of and application of United States copyright law to wholly extraterritorial acts. Such a prosecution was not even attempted by Respondent because those individual companies had no direct infringing activities within United States. Respondent Los Angeles News Service prosecuted only the direct infringers within United States from which all damages flow. The direct infringers, the Petitioners REUTERS, were called before the trial court by the Respondent for the remedy of damages. It is a misleading assertion by Petitioners now to claim that Court of Appeals opinion would create any conflict in laws with other jurisdictions by the application of the Copyright Act to REUTERS' actions when no foreign defendants were ever named or contemplated in the original lawsuit below. Petitioners again are trying to create an issue which does not exist. REUTERS' scenario of foreign conflicts of laws has no relation to the actual decision of the appellate court.

VI.

THERE IS NO NEED TO DISTINGUISH IN THIS CASE BETWEEN A DIRECT INFRINGER AND A CONTRIBUTORY INFRINGER

Here, it was established at trial that the REUTERS defendants made video cassette copies of respondent's videotaped works, LANS' L.A. Riots coverage, for the direct and sole purpose of transmitting the copyrighted footage overseas to REUTERS' subscriber's television stations. The direct infringement is clear, the cassettes were made in New York City by Petitioners or their agents, for the sole purpose of supplying Petitioners' subscribers with duplicates via a satellite transmission, the direct and intended result of the original infringing act within the United States. There is no break in the chain of causation. Their direct infringements caused the

further uses by petitioners' subscribers and those uses were intended by REUTERS.

There is no logical reason why REUTERS, as the direct infringers, should not be held liable in the United States for violation of United States copyright law for all such uses which were intended by REUTERS. It is clear that without the direct infringement within United States there would have been no other uses, as intended by the directly infringing REUTERS petitioners. There is no need to claim that the subscribers to the REUTERS' services are contributory infringers, since it is all part and parcel of the direct infringement within the United States, with the subscribers being mere agents of the direct infringers.

This application of liability for the acts of the REUTERS agents by the Court of Appeals is not in conflict with any United States Supreme Court decisions. Petitioners argue that the decision is in conflict with *Sony Corporation of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). This is in error. In *Sony*, the copyright holders attempted to hold the manufacturer of home video recording equipment which could be used to make duplicates of television programs liable for copyright infringement. The Supreme Court held the manufacture of the equipment could not be held liable as a contributory infringer since there were substantial numbers of copyright holders who did not object to their programming being time-shifted for private viewing and the copyright holders did not show that such use would cause harm to the potential market for the copyrighted works.

Here, we have a completely distinct set of facts with virtually no correlation with those faced by this court in *Sony*. Petitioners themselves are direct infringers who copied and supplied the Los Angeles News Service videos to their

subscribers for the intended use of the subscribers, the very market which Los Angeles News Service also sought to market its videos. The copyright holder, Respondent herein, does object to such a use and the market is damaged by the use intended by the Petitioners. Moreover, the subscribers are the direct agents, through their subscriptions to the service of Petitioners, of the direct infringers, Petitioners herein, not disconnected home viewers who were the intended recipients of free programming which will be merely time-shifted for more convenient viewing. There is simply no conflict between the decisions.

In the REUTERS petitioners, we have direct infringers who by their acts enabled the intended further uses by subscribers to the news services of REUTERS. There is no liability placed directly on those individual subscribers. Instead, the Court of Appeal simply allows all liability to go directly to the original direct infringers, the petitioners herein.

CONCLUSION

As has been shown above, the Court of Appeal decision does not conflict with any decisions of any other circuits, nor with any Supreme Court decision, nor is it of such exceptional importance to merit the granting of certiorari.

The Court of Appeals' decision is its answer to the question which the court previously and explicitly reserved in its *Subafilms* decision, which is so heavily relied upon by the petitioners. The decision clarifies that infringers will be held responsible for all damages which flow directly from their act of domestic infringement. The present decision is limited to those copyright holders who can demonstrate the enabling infringement was completed within the United States and all damages must flow from that infringement. All such damages are recoverable under the Copyright Act as an application of

United States law to the direct infringement. The decision will prevent conflicts in law by eliminating the necessity of having suits brought in each country against the direct infringers, Petitioners herein, where the copyrighted works were transmitted instantaneously in this electronic age where the borders of countries no longer form barriers to intellectual property.

What is more, the Court of Appeals decision will prevent the necessity of trying to litigate in each individual country because the individual users throughout the world will not, and do not, have to be sued for their uses, but only the original infringer, in this case the REUTERS defendants, a multinational group of corporations who transmitted Respondent's videos to their subscribers around world from New York after making two videocassette copies which were specifically made to enable REUTERS to complete the satellite transmissions for the benefit of their subscribers. As such, these original infringers should be held liable for all damages which flowed from the direct infringements. The decision of Court of Appeals breaks no real new ground, but simply clarifies the law that all damages flowing from the domestic acts of infringement are potentially recoverable.

The infringement must be completed within the United States for the decision to apply. The decision does not apply United States law to each individual user throughout the world, but merely confirms that United States copyright holders have a remedy in this electronic age to hold the infringers responsible for all damages which flow from and are enabled by the direct infringement within the United States.

As demonstrated above, the present appellate court's decision of July 13, 1998, as amended on denial of rehearing and suggestion for rehearing *en banc* on August 25, 1998, does

not meet the showing needed for a grant of certiorari: (1) the decision of the panel is not in conflict with any previous decision of this court; (2) the case does not set a precedent of exceptional importance; and (3) the decision is not in conflict with any existing opinion of another court of appeals of national application which requires national uniformity.

For these reasons, we request this Court deny the petition for a writ of certiorari and allow Respondent to pursue its remedies before a jury in the district court.

Respectfully submitted,

WILLIAM A. BERGEN
Counsel of Record
LAW OFFICES OF
WILLIAM A. BERGEN
Attorney for Respondent
2660 Wilder Sparling Lane
Unit B
Auburn, CA 95603
(530) 823-2949

Supreme Court, U.S.
FILED
JAN 27 1999
CLERK

No. 98-851

In The

Supreme Court of the United States

October Term, 1998

REUTERS TELEVISION INTERNATIONAL, LIMITED;
VISNEWS INTERNATIONAL (USA), LIMITED;
REUTERS AMERICA HOLDINGS, INC.;
REUTERS AMERICA, INC.,

Petitioners,

v.

LOS ANGELES NEWS SERVICE,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

LOUIS P. PETRICH
(Counsel of Record)
ROBERT S. GUTIERREZ
LEOPOLD, PETRICH & SMITH
A Professional Corporation
2049 Century Park East, Suite 3110
Los Angeles, California 90067-3274
(310) 277-3333
and
PATRICIA DUNCAN
3000 West Alameda, Suite 124
Burbank, California 91523
(818) 840-3512
Attorneys for Petitioners

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

12 pp

TABLE OF CONTENTS

Page

I. THE ONLY EFFECT OF THE COURT OF APPEALS' HOLDING THAT LANS MAY RECOVER ITS ACTUAL DAMAGES "FLOWING FROM" THE "EXPLOITATION ABROAD" OF LANS' U.S. COPYRIGHTS IS AN IMPERMISSIBLE, EXTRATERRITORIAL EXTENSION OF U.S. COPYRIGHT LAWS 1

II. LANS' CONCESSION THAT THE COURT OF APPEALS HELD THAT PETITIONERS SHOULD BE SUBJECTED TO AN AWARD OF ACTUAL DAMAGES MEASURED BY "EXPLOITATION ABROAD" "ENABLED" BY ACTS OCCURRING IN THE U.S. IS A CONCESSION THAT THE COURT OF APPEALS' DECISION IS IN DIRECT CONFLICT WITH THE CONTROLLING DECISION OF THIS COURT AND OF SEVERAL COURTS OF APPEAL 6

III. CONTRARY TO LANS' SUGGESTION, THE TERRITORIAL RULE IS OFFENDED EVEN IF THE U.S. COPYRIGHT ACT IS APPLIED ONLY TO "EXPLOITATION ABROAD" THAT WAS ENABLED BY DEFENDANTS' ACTIVITIES IN THE U.S. 8

IV. CONCLUSION 10

TABLE OF AUTHORITIES

Page

CASES:

Allarcom Pay Television, Ltd. v. General Instrument Corp., 69 F.2d 381 (9th Cir. 1995) 3, 6

Computer Assoc. Intl., Inc. v. Altai, Inc., 126 F.3d 365 (2d Cir. 1997), *cert. denied*, 140 L.Ed.2d 814, 118 S.Ct. 1676 (1998) 9

Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518 (1972) 4

RULES AND STATUTES:

17 U.S.C. § 106(1) 2

17 U.S.C. § 106(3) & (4) 2

17 U.S.C. § 504(c)(1) 2

MISCELLANEOUS:

Curtis A. Bradley, "Territorial Intellectual Property Rights in an Age of Globalism", 37 Va. J. Int'l L. 505 (1997) 8

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

Petitioners file this Reply Brief to respond to some confusing, and many mistaken, statements made in the Opposition Brief by respondent LANS.

I. THE ONLY EFFECT OF THE COURT OF APPEALS' HOLDING THAT LANS MAY RECOVER ITS ACTUAL DAMAGES "FLOWING FROM" THE "EXPLOITATION ABROAD" OF LANS' U.S. COPYRIGHTS IS AN IMPERMISSIBLE, EXTRATERRITORIAL EXTENSION OF U.S. COPYRIGHT LAWS

LANS apparently agrees that *if* the Ninth Circuit's opinion below attempts to apply U.S. copyright law abroad, such opinion would directly conflict with the controlling decisions of this Court. Opposition Brief ("Opp. Br."), at 5-7, 9.

The crucial issue then is whether the circuit court opinion which creates a general rule that the district court may award actual damages for *"exploitation abroad"* – which damages *flow from a direct infringement* in the U.S. – necessarily is an improper extraterritorial extension of U.S. law.

LANS' description of the facts is so garbled, and at times, inaccurate, that its brief confounds the necessary analysis. The record facts about each step giving rise to an actual or potential infringement are as follows:

1. **In New York City, On April 30, 1992, Defendant Visnews Made One Copy Of Each Work. Appendix To Petition ("App.") 56-57, 62.**

These are the only acts of *direct* infringement in the U.S. by any defendant. As to these acts, the district court found that LANS failed to prove it sustained any actual damages, at least *in the U.S.*, App. 23; *see* Petition, at 4 & n.1., and the finding was not challenged on appeal. *See* App. 3, 15 & n.8. The district court awarded, and the circuit court approved, $30,000 in statutory damages under 17 U.S.C. § 504(c)(1). App. 18-9, 66. These findings are not challenged.

2. **In New York City, On April 30, 1992, Defendant Visnews Transmitted[1] A Copy Of Each Copy Made In Step 1 To The Offices Of EBU In New York, Where They Were Copied By EBU. App. 56-57.**

EBU's conduct in making copies constituted *direct* infringement. App. 62; 17 U.S.C. § 106(1). But, EBU was not a defendant. Thus, liability was imposed on defendant Visnews by the district court under the doctrine of "contributory infringement" for *enabling* EBU to make its copies. App. 31, 32, 62. The district court found that LANS failed to show that it sustained any actual damages in the U.S. by reason of EBU making its copies, and thus

---

[1] The district court held that the transmission was not a *public* performance or distribution and therefore was not actionable under 17 U.S.C. § 106(3) & (4). App. 62, 88. These rulings were not challenged by the court of appeals, nor are they challenged here.

awarded another $30,000 in statutory damages. App. 66. These rulings were affirmed on appeal. App. 20. Petitioners argued on appeal that the district court's finding of Visnews' liability for contributory infringement in Step 2 (App. 62) was inconsistent with that court's other finding (App. 59, ¶ 32, App. 63, ¶ 5) that LANS failed to prove that Visnews had acted wilfully. The court of appeals refused to consider this ground of appeal, mistakenly holding that the district court's finding that petitioners had waived the right to argue that Visnews and EBU were liable jointly and thus the number of infringements should be halved (App. 66) was a finding that petitioners had waived the right to challenge contributory infringement for the Step 2 acts. App. 20. Petitioners have not challenged that error in the Petition because it is irrelevant to the issues raised here regarding liability for Steps 3 and 4 below. LANS' Opposition Brief is thus mistaken to argue that the district court's waiver finding has a bearing on the contributory infringements relevant to Steps 3 and 4. *See* Opp. Br., at i, 15-6.

3. From New York, Using The Copies Made In Step 1, Defendant Visnews Electronically Transmitted Copies To Reuters In London. App. 3, 25.

The district court held that such transmission was not an act of *direct* infringement *in the United States*, under authority holding that infringement by electronic transmission did not occur until received – in this case, *outside the U.S.* App. 29, 62, citing *Allarcom Pay Television, Ltd. v. General Instrument Corp.*, 69 F.2d 381, 387 (9th Cir. 1995). The court of appeals affirmed this holding. App. 5.

3a. LANS Alleged That *In London*, Reuters Made Copies (Perhaps A *Direct* Infringement Under *Foreign* Law[2]). -

These are the acts which the district court held could not be subjected to U.S. copyright law. App. 25. Under existing precedent of this Court and various circuit courts, defendants could not be held liable as *contributory* infringers under U.S. law by reason of the acts in Step 1, *supra*, because the *direct* acts of infringement *abroad* which they enabled do not violate U.S. law. Petition, at 27-29; *cf. Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972) (no contributory liability for domestic acts that allow foreign acts not within scope of U.S. patent laws). The court of appeals below attempted to sidestep this conclusion by holding that its imposition of liability for "exploitation abroad" does not impose U.S. law on foreign acts, but simply allows computation of foreign damages "flowing from exploitation abroad of the domestic acts of infringement committed by defendants." App. 9. But this deft use of language only masks the reality. Imposing liability measured by "exploitation abroad" – especially in the face of an unchallenged finding that LANS cannot show that it has suffered any actual damages *in the U.S.* flowing from the acts in Steps 1 and 2 – can only be deemed an application of U.S. law extraterritorially, in direct conflict with this Court's decisions. *See* Petition, at 17-18.

---

[2] Indeed, while the court of appeals had this case under submission, LANS served petitioner Reuters and third party EBU with a civil action in London alleging that *these acts* violated the laws of the United Kingdom. Petition, at 6, App. 81-85. LANS' Opposition fails to discuss these facts.

3b. *In Europe*, Reuters Transmitted Copies To Satellites Where They Were Available For Access By Station Subscribers[3] *Abroad*. App. 25, 56. *If* They Made Copies Or Broadcast Them To The Public, Any Such *Direct* Infringement(s) Would Occur Abroad *Under Foreign Law*.

The district court held that petitioners could not be held liable under U.S. law as *direct* infringers because the relevant direct infringements occurred abroad. Nor could petitioners be held as *contributory* infringers, although the enabling acts were committed in the U.S. under Steps 1 and 2 because the direct infringements which they enabled abroad were not themselves violations of U.S. law. App. 28-30, 61-62. The court of appeals attempted to avoid this result by suggesting that U.S. law is not given extraterritorial effect if the allowed damages will somehow flow only from the conduct in the U.S. App. 2, 8-9. But, the court of appeals conceded that all such damages would be restricted to and measured by the "exploitation abroad." App. 2, 9. Words cannot disguise the obvious violation of the territorial principle.

4. From New York, Using The Copies Made In Step 2, Third Party EBU Electronically Transmitted Copies To Reuters In Europe. App. 25.

The district court held that such transmission was not an act of *direct* infringement *in the United States*, under authority holding that the infringement did not occur

---

[3] The district court found that Reuters' "subscribers" did *not* include members of the public. App. 25.

until received outside the U.S. App. 29, citing *Allarcom, supra*. The court of appeals affirmed this holding. App. 5.

4a. LANS Alleged That *In Europe*, Reuters Gave Copies To Some Of Its Station Subscribers (Perhaps A *Direct* Infringement Under *Foreign* Law). App. 25.

As explained under Step 3a, *supra*, any resulting *direct* infringement occurring would occur abroad, beyond the territorial limits of U.S. law. The fact that such conduct was *enabled* by conduct committed in the U.S. would not make the actors in the U.S. liable as *contributory* infringers because the acts to which they contributed occurred abroad.

4b. EBU Allegedly Transmitted Copies To Satellites Where They Were Available For Access By Station Subscribers *Abroad. If* They Made Copies Or Broadcast Them, The Subscribers Might Commit Acts Of *Direct* Infringement *Under Foreign Law*.

See discussion under Step 3b, *supra*.

II. LANS' CONCESSION THAT THE COURT OF APPEALS HELD THAT PETITIONERS SHOULD BE SUBJECTED TO AN AWARD OF ACTUAL DAMAGES MEASURED BY "EXPLOITATION ABROAD" "ENABLED" BY ACTS OCCURRING IN THE U.S. IS A CONCESSION THAT THE COURT OF APPEALS' DECISION IS IN DIRECT CONFLICT WITH THE CONTROLLING DECISION OF THIS COURT AND OF SEVERAL COURTS OF APPEAL

LANS does not dispute the Petition's showing that the ruling precedent of this Court – followed by several

courts of appeal – does not allow the imposition of liability for *contributory* infringement if the act which was enabled or encouraged itself does not violate U.S. copyright law. Petition, at 27-29.

Throughout its Opposition Brief, at i, 1-2, 6, 10-11, 14, LANS concedes that the court of appeals' decision would impose liability on petitioners because their acts – making copies in the U.S. and transmitting them abroad – *"enabled"* or *"allowed"* exploitation abroad. Indeed, that *is* what the court decided. App. 7.

LANS only disputes the legal conclusion whether petitioners' liability in such a situation may be imposed for a *direct* infringement or for *contributory* conduct. Opp. Br., at 16-18. But, if petitioners had only committed the *direct* acts of infringement found to have occurred in New York – Steps 1 and 2, *supra* – there would be *no damages abroad*, because there would have been no activity abroad. *No damages flowed from the making of the copies alone.* That is not only logical, but the district court found as a fact that LANS could not prove any actual damages arose in the U.S. from the domestic acts of copying. App. 44-45. This finding was not overturned by the court of appeals. App. 3 & n.3, 15.

To create actual damages abroad, there had to be *other direct infringements*: further reproduction, distribution, broadcasting. *Those acts all occurred abroad.* That is why the court of appeals states that *all foreign damages* relate to "exploitation abroad." App. 2, 9. The making of a copy in New York was a step in the process of enabling exploitation abroad, but the making of a copy in New York, while constituting a *direct* act of infringement in

New York *for domestic purposes*, constituted a *contributory* act with reference to any extraterritorial copying, distribution, broadcast or other "exploitation abroad." Because "exploitation abroad" does not constitute a violation of U.S. copyright law, defendants may not be held liable as contributory infringers even if those foreign damages – arising from foreign acts of infringement – were enabled by domestic acts.

III. CONTRARY TO LANS' SUGGESTION, THE TERRITORIAL RULE IS OFFENDED EVEN IF THE U.S. COPYRIGHT ACT IS APPLIED ONLY TO "EXPLOITATION ABROAD" THAT WAS ENABLED BY DEFENDANTS' ACTIVITIES IN THE U.S.

LANS' Opposition Brief, at 6-7, argues that the territorial principle is not offended so long as the U.S. action is only directed to the defendants who committed infringing acts in the U.S. that ultimately enabled infringing acts abroad. LANS argues that it is not suing defendants' subscribers around the world, that there is no possible clash of laws between nations and that the court of appeals' holding is beneficial because it allows litigation concerning world-wide dissemination in one forum. *Ibid.*

These arguments are in part factually unfounded, and otherwise ignore the purposes of the territorial rule. One commentator has identified at least five justifications for this Court's territorial presumption or rule: international law, international comity, choice of law principles, likely congressional intent and separation of powers considerations. Curtis A. Bradley, "Territorial Intellectual

Property Rights in an Age of Globalism", 37 *Va. J. Int'l L.* 505, 513-14 (1997).

Petitioners have shown that courts follow the territorial presumption to avoid even the possibility of conflicts of law. Important copyright law and policy differences occur from one jurisdiction to another. *See* Petition, at 12-15. Applying U.S. law to "exploitation abroad" not only creates possible conflicts, but also subjects the same defendants to multiple and inconsistent judgments. Petition, at 13-15; *see Computer Assoc. Intl., Inc. v. Altai, Inc.*, 126 F.3d 365, 371 (2d Cir. 1997), *cert. denied*, 140 L.Ed.2d 814, 118 S.Ct. 1676 (1998) (prior copyright infringement suit in U.S. under U.S. law is not collateral estoppel in subsequent suit for same allegedly infringing activity applying French law). This case presents such an example, where LANS is suing Reuters to collect damages under U.S. law in this case, and under the laws of the United Kingdom in its London action, *measured by the same acts in the U.K. of "exploitation abroad"*. *See* note 2, *supra*. Regarding the need for a convenient forum, petitioners have shown that the U.S. may provide the forum, but foreign activities must be governed by foreign copyright laws. Petition, at 24-25.

IV. CONCLUSION

For all the foregoing reasons, the petition for the writ of certiorari ought to be granted.

Respectfully submitted,

LOUIS P. PETRICH
Counsel of Record
ROBERT S. GUTIERREZ
LEOPOLD, PETRICH & SMITH
A Professional Corporation
2049 Century Park East, Suite 3110
Los Angeles, CA 90067-3274
(310) 277-3333

Attorneys for Petitioners

January 27, 1999